Austria	Sch 18	Indonesia	Rp 2500	Portugal	Esc 80
Bahrain	Din 0.650	Italy	L 1300	S Arabia	Rls 6.00
Belgium	BFr 42	Japan	Y550	Singapore	S$ 4.10
Canada	C$1.20	Jordan	Fils 500	Spain	Pta 110
Cyprus	C£0.60	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	DKr 7.25	Lebanon	L£ 8.00	Sweden	SKr 6.50
Egypt	E£1.00	Luxembourg	LFr 42	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rm 4.75	Taiwan	NT $35
France	FFr 6.00	Mexico	Pes. 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	NKr 6.00	U.S.A.	$1.00
India	Rup. 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,669 Monday July 8 1985 D 8523 B

How small can be beautiful in Europe, Page 14

World news

Spanish arrest 18 Eta suspects

Spanish police arrested 18 suspected Eta members in what Bilbao authorities believe is a severe blow to the guerrilla organisation.

One of those arrested was Felix Zabarte, leader of one of the group's commando units, who was suspected of involvement in 16 murders. Zabarte was stopped in a stolen car near Bilbao.

Police claimed to have discovered eight hideouts, a jail for kidnap victims and an arsenal of automatic weapons, hand grenades and other explosive devices. Eta violence has this year claimed 22 lives.

Ex-premier held

Guinea's President Lansana Conte said that ex-premier Diarra Traore, who led Thursday's attempted coup, had been arrested. The attempt is thought likely to prompt economic reforms. Page 3

Post for Eanes

Portugal's new Democratic Renewal Party plans to make General Antonio Eanes its leader after he stands down as President in January.

Nimeiri trial

Sudan says it will try ex-president Jaafar Nimeiri "for crimes and oppressioo" in his absence if Egypt does not agree to extradite him.

Football inquiry

Political tension has risen in Belgium after a parliamentary committee report on the death of 38 football supporters at the Liverpool-Juventus match in Brussels in May. Opposition parties have tabled a motion of no confidence in the Government. Page 2

Mexican poll 'fraud'

Mexico's right-wing opposition National Action Party blockaded polling offices in protest against what it claims to be electoral fraud. Army and police units dispersed them from most of the towns. Page 16

New prosecutor

Iran has nominated as prosecutor-general Mohammad Musavi Khoeniha, leader of the militant students who overran the U.S. embassy in Tehran in 1979.

Lebanon attack

Israeli troops staged a dawn search of a Shia Moslem village in southern Lebanon after a bomb attack on Israeli-backed militiamen.

Shias kill 25

Afghan Shias killed 25 people when they opened fire on police trying to block a banned march in the Pakistan city of Quetta.

Tehran bomb

Four people were injured by a small bomb in Tehran, the fifth explosion in the Iranian capital this year.

Diaries verdict due

A verdict is due today in the 11-month Hitler diaries trial of a German journalist and a Nazi memorabilia dealer who admits forging the 60-volume diaries bought by the West German weekly magazine Stern.

Vietnam dead

Vietnam will hand over the remains of 26 more Americans listed as missing in action from the Vietnam war.

Becker triumph

West German Boris Becker became the youngest Wimbledon men's champion beating American Kevin Curren 6-3 6-7 7-6 6-4. The 17-year-old from Leimen, near Heidelberg, clinched the singles victory after over three hours of play.

Piquet victory

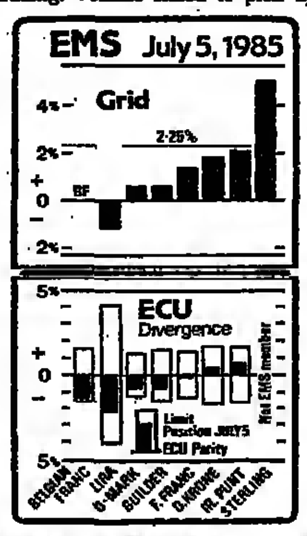
Nelson Piquet (Brazil) driving a Brabham won the French Grand Prix at Le Castellet.

Business summary

Phillips to auction N. Sea oil assets

PHILLIPS PETROLEUM is to auction its 35 per cent stake in T-Block, which contains one of the North Sea's largest undeveloped oil reserves. The sale, which will raise between $100m and $200m, forms part of a plan by the U.S. oil group to raise $2bn by asset disposal to fund reconstruction used to fend off Mr T Boone Pickens, the U.S. corporate raider. Page 16

EUROPEAN Monetary System: Most currencies showed a small decline over the week in relation to their central rates in very quiet trading. Volume failed to pick up significantly after the end of the half year, with Thursday's closure of U.S. markets also inhibiting trading. The Belgian franc remained the weakest member, reversing the previous week's gains but staying comfortably within its divergence limit.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

FT ORDINARY share index will be calculated on a real time basis from today with adjustments made each time one of its 30 constituent stocks changes price. Page 8

EEC COMMISSION is preparing partial return of free market for European steelmakers with proposals that will lift minimum price controls but continue, albeit reduced, production quotas. Page 4

U.S. TREASURY is expected to make a recommendation later this month on the controversial issue of unitary taxation. Page 16

PEKING has banned state purchases of motorcycles, cars, sofas and other luxury items for at least the next six months because official spending has soared out of control this year. Page 3.

EUROBOND traders were taken by surprise when an unexpected surge in New York bonds following the Independence Day holiday brought both primary and secondary markets to life. Page 17

EURONOTE business continued to surge in the first half of this year with new facilities worth $18.7bn signed against $17.4bn for the whole of 1984, according to latest figures. Page 17

U.S. CONGRESS is poised to impose sanctions on South Africa as the Republican-led Senate is preparing legislation that will rebuff President Reagan's more cautious approach to the apartheid policies of Pretoria.

BERT LANCE, former head of the U.S. Office of Management and Budget in the Carter Administration, has resigned as chairman of the Georgia Democratic Party in order to fight new allegations of improper business practices at the Calhoun First National Bank of which he is chairman. Page 3

***MR TED TURNER**, Atlanta broadcasting businessman who is trying* to take over CBS, has attacked the television network's plan to buy back more than a fifth of its shares. Page 17

Opec ministers fail to agree on cuts in quotas

BY RICHARD JOHNS IN VIENNA

MINISTERS of the Organisation of Petroleum Exporting Countries (Opec) yesterday failed to agree on a lower collective production ceiling on an interim basis for the third quarter of this year although they claimed progress towards one. The output ceiling for all 13 members is at present pegged at 16m barrels a day (b/d).

Three members – Nigeria, Iraq and Ecuador – were reluctant to contemplate pro rata reductions in their quotas. Algeria, however, also had reservations despite the fact that it and Iran have been foremost in calling for a lower maximum limit.

Dr Tam David-West, the Nigerian Minister of Oil, made it clear to reporters that he had no mandate to agree to his country's quota being reduced. "Someone else will have to pick up the tab," he said.

There had been optimism last night that agreement showing recognition of market realities would be reached. The hope was for a commitment to observation of official prices as well as output restraint, so that the remorseless fall of spot prices would be arrested.

Clearly, if agreement is to be reached, concessions will have to be made by some members. Nigerian objections will be weakened by the fact its output has fallen well below its 1.3m b/d quota.

An adjournment looked inevitable last night so that ministers cauld confer with their heads of state and governments.

The kind of reduction being considered was understood to be less than 10 per cent, equivalent to 1m b/d. This would have brought the ceiling closer to actual current demand which is reckoned to be running at little more than 14m b/d.

However, the level has been depressed by seasonal factors and buyers holding back in anticipation of a further slide in spot market prices.

Members, including Saudi Arabia, agreed that there should be no cut in official selling rates even if only about 25 per cent of Opec exports are priced in this way. (These are mainly from the Kingdom.)

Sheikh Ahmed Zaki Yamani, the Saudi Minister of Oil, last night had not revealed his country's minimum requirement.

A month ago, Sheikh Yamani indicated that Saudi Arabia would accept no less than 4m b/d compared with the 4.35m b/d allotted to it under the 16m b/d ceiling. Most members regard this quota as excessive.

Saudi output has slumped to less than 2.5m b/d because it has been rigorously observing selling rates.

Nevertheless, Sheikh Yamani, contrary to some predictions, has not pressed in Vienna for a cut in the prices of the heavy crudes on a scale likely to boost Saudi exports through revived sales to U.S. companies – its main concessionaires.

Saudi Arabia's assumed readiness to comply with output reductions would seem to leave the main problem of how the diminishing cake would be redivided.

Earlier, Dr Subroto, the Indonesian chief delegate, said "from discussions it transpires that the price will remain unchanged and malpractices which have occurred in marketing will be eliminated." This was thought to refer to the discounts offered by nearly all members in various forms.

Dr Subroto indicated that the members could arrive at a floating ceiling which would be adjusted on a quarterly basis.

Phillips' North Sea auction, Page 16

Key Fed committee faces vital economic decisions

BY STEWART FLEMING IN WASHINGTON

POLICY DECISIONS that might have a heavy impact on the performance of the U.S. economy in the months ahead are facing the Federal Reserve Board's key monetary policy-making open market committee (FOMC), which meets today, and leaders of the U.S. Congress, which reconvenes after the Independence Day holiday.

High on the list of congressional and White House priorities before the Congress's summer recess scheduled for next month are efforts to try to break the deadlock over rival plans to cut the $200bn federal budget deficit expected in 1986.

The FOMC will meet amid fears that U.S. output grew more slowly in the second quarter than the real annual rate of 3.1 per cent predicted by the Government last month and warnings that further declines in U.S. interest rates will be needed to revive the economy.

The two-day meeting of the FOMC will be a key policy-making session not only because of the uncertain economic outlook and the problem posed by the strength of the dollar.

FOMC members are also expected to reassess the central bank's 1985 monetary targets and debate tentative new targets for 1986 prior to the appearance by Mr Paul Volcker, the Fed chairman, before Congress to discuss monetary policy on July 17.

With the M1 money supply measure growing well above target, the Fed will have to consider what Mr Volcker should tell Congress about the excessive growth of money and its implications for monetary targetting.

Even as the FOMC meets, congressional budget policy-makers will begin again to try to resolve the impasse which has beeo threatening to scuttle efforts to achieve big reductions in the federal Government's $200bn-plus budget deficit.

Congressional leaders will be returning to Washington amid signs that President Ronald Reagan will be taking a more active part in their budget negotiations. The President devoted his radio broadcast on Saturday to the budget deficit, attacking the Democratic Party's budget plan as a proposal that "could win a prize for creative book-keeping" and which achieves the bulk of its savings from "accounting gimmicks" and "raiding the national defence."

Montedison pays L200bn for controlling stake in BI-Invest

BY JAMES BUXTON IN ROME

MONTEDISON, the large Italian private-sector chemicals group, has acquired a controlling 38 per cent stake in the insurance, financial services and property concern BI-Invest, formerly controlled by the Bonomi family, for over L200bn ($100m).

The deal, which has amazed Italy's business community, marks the return of Montedison to ownership *of interests in insurance* and finance which it ceded to the Bonomi family when the chemical group ran into financial difficulties in the 1970s.

The transaction also means that Montedison is acquiring control of one of its principal shareholders. BI-Invest is a partner in Gemina, the consortium that controls Montedison.

Sig Mario Schimberni, Montedison'a chairman, is due to meet Sig Franco Piga, head of the Consob, the stock exchange regulatory authority, today to explain how he plans to deal with the potential conflict of interest under which Montedison now has control of a company, BI-Invest, which itself owns 17.4 per cent of Gemina, the holding company that has the controlling 17.11 per cent stake in Montedison

Other Gemina shareholders include Fiat, Pirelli, Mediobanca, the leading merchant bank, and Lucchini.

Sig Carlo Bonomi, BI-Invest chairman, is still set to hold an extraordinary shareholders' meeting this month at which he will ask shareholders for authorisation for the company to buy more shares in itself, in order for the Bonomis to regain control.

Montedison agreed late on Friday to acquire the 38 per cent stake in Bi-Invest that had been discreetly built up over the past few weeks by Lombardfin, a stockbroking firm headed by Sig Francesco Micheli. Lombardfin had consistently refused to disclose on whose behalf it was carrying out the share buying operation which for a time sent Bi-Invest shares to record levels and cost at least L200bn.

Lombardfin eventually amassed 38 per cent of Bi-Invest, putting the Bonomi family with its 30 per cent stake into a minority position.

Lombardfin now claims that it began to build up to stake in Bi-Invest *on its own initiative*, with the intention of selling it back to the Bonomis at a profit. When there were no initial signs of opposition from the Bonomi family, it continued buying and realised that it was in a position to carry out a considerable financial coup.

Both Lombardfin and Montedison say that Montedison became involved only after the share purchase operation was complete.

Montedison agreed to buy the Lombardfin stake through Iniziative Meta, a subsidiary that controls its interests in sectors not directly connected with chemicals.

So far, Montedison has not officially explained why it wanted to take control of Bi-Invest. Two explanations that have been put forward are that the attraction of the financial and insurance interest controlled by Bi-Invest was self-explanatory, and that Montedison wanted to be sure that Bi-Invest's stake in Gemina and therefore in Montedison itself did not fall into undesirable hands.

The deal shows the new self-confidence of Montedison, which last year came near to break-even after several years of immense losses. In the 1970s it had been one of the most influential companies in Italian finance, controlling the Fingest group of insurance and financial interests, which it was obliged to sell to the Bonomi family as its chemical operations got into ever greater difficulties.

AT&T to open first overseas plant in Singapore

By William Hall in New York

AT&T, the giant U.S. telecommunications group, is to establish its first wholly-owned overseas factory in Singapore and will transfer the production of residential telephones from Louisiana to the new unit, which will employ 1,000 workers.

The company says that it is part of its strategy to move the company into "global markets for the movement and management of information." It is necessary if the group is to reduce costs and remain competitive in the domestic and international market for residential telephones. AT&T says that it picked Singapore because "the Government is committed to quality production as is AT&T."

Several AT&T products, such as answering machines and cordless products, are already made for the company in Far Eastern countries but the Singapore venture is the first time the company has built a production unit outside the U.S. where, until its breakup last year, it had dominated the telephone market.

The company also announced on Friday that it will lay off 875 workers at its plant in Shreveport, Louisiana, where it currently produces both residential and business telephone sets. The company says that the planned layoffs, which are scheduled for this week, are the result of market conditions and, as such, are not directly related to the Singapore plans.

Mr William J. Warwick, AT&T's group vice-president for consumer products, said: "The planned Singapore facility is a natural extension of our current use of offshore manufacturers to produce some of our resideoce products."

The Singapore factory will be formed under a wholly-owned separate subsidiary called AT&T Consumer Products Private which will be headed by Mr Walter Orth, who is currently on the group's manufacturing planning staff at its consumer products headquarters in Parsippany, New Jersey. It will occupy a 135,000 square foot building leased from the Singapore government. The cost of the investment is estimated at $30m.

AT&T will move into its new factory later this month and as production is phased in over the oext 18 months all home telephone manufacture at AT&T's Shreveport plant will be phased out. Some 650 of the 6,400 employees at Shreveport make home telephones.

Last year sales of home telephones in the U.S. jumped from 17m in 1983 to 23m. The industry is expected to sell about 23m telephones this year.

UK industry renews attack on Thatcher

BY JOHN HUNT AND ANATOLE KALETSKY IN LONDON

INDUSTRY LEADERS in Britain have renewed an assault on the economic policies of the Thatcher Government. They have demanded from Mr Nigel Lawson, Chancellor of the Exchequer, a cut in interest rates and say they want a reduction "sharply and soon."

The Confederation of British Industry (CBI), the employers' body, said action to bring down interest rates and to ease sterling was needed if the UK was to maintain its competitiveness in world markets. A statement from the chairman of the CBI's 13 regional councils said the Government's "excessiver caution" would only damage job prospects and the ecooomic recovery.

The CBI's attack came during a weekend in which the Government's economic strategy was put under closer than usual scrutiny and criticism. This followed a crushing defeat for the Conservatives in the by-election at Brecon and Radnor, where the Liberal candidate won the seat and overturned a Tory majority of 8,784 at the 1983 general election. The Labour Party came second, forcing the Tory candidate into third place.

The Brecon result was widely interpreted as the voters' verdict on Tory polices. Mr Lawson yesterday firmly denied that there would be a Government U-turn in economic policy as a result of the party's by-electioo blow.

He rejected the CBI's interest rate demands and emphasised that control of public expenditure and a reduction in the inflatioo rate had to be given priority.

Mr Lawson also insisted that the Government would be able to keep its promise to make cuts in income tax during the lifetime of the present parliament.

"Company profits are higher than for a long time," he said in a BBC radio interview when he was asked about the CBI statement.

"Interest rates will have to be kept at a level which is necessary to maintain conditions which will keep inflation coming down further. If we are able to reduce interest rates at a later stage, then of course this will be done."

Mr Lawson also clarified a speech he made in Oxford on Saturday in which he said the Government would continue to follow the "middle way" on public expenditure.

While the Government sought savings it was prepared to spend more where it was needed. His speech in which he made no mention of tax cuts, was widely interpreted as heralding a significant change in Government policy.

Britain's National Coal Board is to begin a massive programme of closure of exhausted and uneconomic pits with the aim of cutting about 30m tonnes of capacity over the next four years. The board is also to begin talks with the breakaway union formed by leaders of 27,000 Nottinghamshire miners – most of whom worked during the recent year-long strike – with a view to paying them a premium over other miners. Page 16

His rejection of this interpretation yesterday will be greeted with some scepticism at Westminster. MPs are likely to see it as yet another example of the Government giving confusing signals about its economic policy.

Explaining his use of the term "the middle way" he said that sensible savings could be made within firm overall cootrol of public expenditure. But the Government would be spending more money "deliberately and carefully" in areas such as defence, law and order, the health service and education.

There would, however, be no "public spending spree." The Government would continue to spend less on "handouts" to nationalised industry, council house building, the Common Market and bureaucracy.

"There is no U-turn at oll," he said. "The strategy continues exactly as it has always done. It is a commonsense policy within firm overall constraints.

Despite these words there is no doubt that the by-election setback will have strengthened the hand of the "consolidators" in the Cabinet when it meets on Thursday to consider public spending for 1986/87.

It will discuss whether the spending target of £139bn ($182bn) can be confirmed in the light of bids from departments for an additional £6bn.

In the light of the unpopularity of cuts shown during the by-election campaign spending ministers will find it easier to defend their budgets against Treasury pressure. It has also reinforced the position of "*consolidators*" such as Mr John Biffen, Leader of the House of Commons, who will argue that tax cuts cannot be made at the expense of cuts in public services.

Yesterday a leading Tory moderate, Sir Ian Gilmour, said there had to be changes of substance in Government policies, particularly spending on capital projects, in order to reduce unemployment.

Continued on Page 16

CONTENTS

French Socialists settle row between Fabius and Jospin

BY PAUL BETTS IN PARIS

THE FRENCH Socialist Party officially settled a politically damaging quarrel between M Laurent Fabius, the Prime Minister, and M Lionel Jospin, the party's first secretary, at a special session of the party's executive committee at the weekend.

But the agreement has not removed the underlying frictions and disagreements between the various factions of the party over the strategy for next year's parliamentary elections when the Socialists are expected to lose 100 or more seats.

The party holds a comfortable majority in the National Assembly of 285 out of 491 seats.

The dispute erupted a few weeks ago when M Jospin threatened to resign because he feared M Fabius was trying to take control of the election campaign. Moreover, fundamental differences emerged in the open between M Jospin, who believes the party must remain determinedly in the left-wing camp, and M Fabius, who favours a centrist "Republican front" image to give the party a wider constituency of votes.

President Francois Mitterrand was obliged to intervene directly to put an end to the row and prevent a dangerous split developing in the party. He worked out a quick compromise spelling out M Jospin's role and responsibilities as party leader but also defining the key role of the Prime Minister as leader of the governing majority. M Jospin appears to have been comforted by a compromise which most observers, however, feel gives M Fabius a slight edge.

To avoid any possible embarrassing incidents, M Fabius did not turn up to the party's special session this weekend. Instead, he saw M Jospin privately on Friday when both men said they had patched up their quarrel.

M Jospin had originally asked for the special session of the executive committee to be held to support him against M Fabius. But in his opening address to the committee on Saturday he said the dispute with M Fabius was over and that the affair had been "clarified."

This led to the caustic remark by one socialist deputy: "Why then hold the meeting?"

The party also appeared to have reached agreement at the weekend over the distribution of future parliamentary seats between the various factions. This traditionally involves a long horse trading session but was even more difficult this time because of the party's expectations of winning fewer seats next year.

Although the differences which have exploded in the open in recent weeks appear to have been resolved, on the surface at least, many observers expect they will erupt again later this year at or after the party's congress in Toulouse in October.

The dispute between M Fabius and M Jospin has nonetheless already left some scars and weakened both men. A poll published on Saturday showed M Fabius losing 9 per centage points in popularity in one month while M Jospin lost 4 points in the same period.

The quarrel has also given the right-wing opposition the chance to riposte against the socialists who have long made political capital of the long-running right-wing leadership battle between M Jacques Chirac, head of the neo-Gaullist RPR, former President Valery Giscard d'Estaing and M Raymond Barre, the former prime minister.

Canadian ship joins hunt for Air India black box

BY OUR DUBLIN CORRESPONDENT

A CANADIAN search vessel carrying specialised equipment is due off Cork today to assist in what could be the final stages of the hunt for the inflight recorder from the Air India Boeing which crashed in the area 15 days ago with the loss of 329 lives. Irish Navy vessels and seabed survey craft have already located a steady signal from what is thought to be the plane's "black box" at a depth of 6,000 ft.

Canadian search co-ordinator Mr Arthur Laflamme revealed at the weekend that the signal being picked up was not of the frequency which the recorder was designed to transmit.

The unmanned submersible vessel on the seabed was consequently having difficulty pinpointing the black box, but investigators remained confident that they had narrowed the search area to some 200 sq metres.

The equipment on board the John Cabot, the Canadian coastguard vessel due off Cork today should remove the remaining technical obstacles to a positive fix on the recorder

Soviet Union oil exports fall sharply

The Soviet Union suffered a serious fall in its oil exports in the first three months of the year, according to trade figures published in Moscow.

The figures show that Soviet exports to the industrialised West fell by 28 per cent—from Roubles 4.63bn to Roubles 3.34bn—in January to March this year, compared to the same period last year.

The figures for imports and exports are not broken down by commodity but the sharp drop in exports is attributed by diplomats to the cut in oil exports caused by unusually cold weather in the oilfields earlier this year.

Equipment in West Siberian oilfields, which produce 60 per cent of the Soviet Union's total output of 613m tons, could not cope with temperatures below minus 40 degrees centigrade for long periods, one Soviet oil industry official said.

A sharp fall in exports occurred in traditional markets for Soviet crude, such as West Germany, to which exports were down 29 per cent to Roubles 731m, and Italy, where exports fell 46 per cent to Roubles 388m over the three month period.

Soviet exports to the West are dominated by oil and gas sales. Last year these made about $12bn (£9.1bn) for oil and $3bn for gas.

The fall in oil sales leaves the Soviet Union with a deficit in its trade with the West of Roubles 1.7bn in January to March, compared to a small surplus in trade over the same period last year. The Soviet Union is unlikely to be able to make up for the deficit by increased crude sales over the rest of the year, given poor market conditions.

● The new Soviet Foreign Minister, Mr Eduard Shevardnadze, has resigned as head of the Communist Party in the southern republic of Georgia. He is replaced by Mr Dzumber Patiashvili.

● In an unusually mildly-worked article, the Communist Party daily Pravda said yesterday that Soviet-American relations were at a crossroads and that the November summit could help decide which path the superpowers should take, Reuter reports from Moscow.

EEC steel controls likely to remain

BY PAUL CHEESERIGHT IN BRUSSELS

EXTENSIVE controls will remain over European Community steelmakers after the end of this year if proposals, now being refined in the Commission, are accepted by industry ministers.

The Commission is in the final stages of preparing what is in effect a partial return to the free market and will present its conclusions to the Ten at a ministerial meeting later this month.

The Ten have set the end of 1985 as the deadline both for the end of subsidies to the steel industry and a return to normal market conditions. For the time being, subsidies are being authorised to help restructuring while a system of production quotas and minimum prices is in place to stabilise the market.

Proposals being prepared for the approval of the 14-member Commission envisage the lifting of the minimum price controls but a continuation, on a reduced scale, of production quotas.

Formal lifting of the price controls, however, would leave intact a price monitoring system in line with an article in the European Coal and Steel Community treaty which permits action to be taken in the event of disturbances on the market.

Thinking on the lifting of the production quotas is so far less precise but is moving in the direction of removing controls on some long products.

Debate in the Commission appears to be focused on three categories of product. Quotas for reinforcing bars seem set to go and the removal of controls on wire rods is a distinct possibility.

Consideration is being given to easing restrictions on merchant bars, but there is concern that this might affect the market in wide beams and sections.

Under the present system the Commission, after consultations with industry, posts production quotas each quarter. The system has been in place since October 1980.

Since then the industry itself has changed markedly, having lost 30m tonnes of capacity, and the Commission would now like to take the changes into account and alter the basis on which the quotas are granted.

But a modified system, while it would suit British Steel Corporation, after its extensive shake-out and now coping with the demands of a growing economy, would antagonise the French producers who are said not to be meeting their full quotas in any case. The German industry is said to favour the status quo.

Differences of this type mean that the Commission proposals, when finally presented, will set off lengthy haggling among industry ministers. The eventual shape of steel controls for next year is unlikely to be settled until the autumn.

CHAD TAKES POSITIVE ACTION TO HELP DROUGHT-AFFECTED FAMILIES

Food-for-work schemes hope to boost 'survival aid' from West

BY PETER BLACKBURN, RECENTLY IN N'DJAMENA

HISSEIN el Hadj Hassaballah, his wife and six children are starting a new life in the isolated desert village of Am Silep, about 200km east of Lake Chad.

They arrived by lorry along with 1,000 other families, forced by drought and famine to abandon their villages, victims of what has become the country's greatest disaster this century.

One third of Chad's population of 4.8m has been affected by the drought and is in need of aid. "The situation is proportionately worse than in Ethiopia, while the lack of transport infrastructure makes the distribution of food aid almost impossible," the Secretary of State for Foreign Affairs, Korom Ahmed, said.

Hissein Hassaballah and the other displaced families descended first on the district centre of Moussoro. "But they were so numerous that sanitary and health problems arose, and we decided to disperse them in outlying villages where there is still water and potential farmland," Abdullahye Ibet, Moussoro's deputy prefect, said.

Am Silep is more than an hour's trackless drive south east of Moussoro across an undulating, sandy landscape dotted with dead trees, animal bones and thorn bushes.

The sandy slope leading down from the village to the wadi (a dried-up river bed) is now covered with West German tents and small stick and matting huts.

Hissein Hassaballah, after emerging from one of the huts, said: "There was nothing left to eat in the village – even the vultures had left. Here there is both food and work."

The Am Silep relocation and food-for-work project is being managed by Unicef and the Rural National Development Office (RNDO). It is the most recent of several similar schemes in the country.

Each family has been allocated a small plot of land cleared of shrubs and vegetation. Wells are being dug by hand to a depth of about three metres and equipped with shadoufs – Egyptian bucket-and-pole water-drawing devices.

Irrigation canals will then be made and the land hoed and sown with tomatoes, onions, melons and other vegetables. The families do all the work themselves and are given food rations which will be phased out after the first harvest.

Am Silep's 600 villagers have been included in the food for work programme in an effort to avert potential hostility against the influx of displaced people, Hassan Said Mallaya, an RNDO official, said.

A government study has indicated that there is more than 50,000 hectares of potential farmland in wadis and dried-up lakes in the Kanem region alone – enough to feed the whole of northern Chad.

It is also hoped that enough shortcayle, dwarf wheat, maize and millet can be grown on the irrigated plots to satisfy local needs.

"There is no need to abandon the Sahel as there is plenty of underground water and farmland. But we need aid to develop these resources," Mahamat Muktar, Ministry of Natural Resources Director, said.

However, the country's longest and most severe drought has provoked a massive movement of population. An estimated 500,000 people have abandoned their villages, and, of those, up to 300,000 have been relocated in camps set up by the Government as part of "operation Mur" to protect the capital N'Djamena from being overwhelmed by destitute people.

Another 100,000 have reportedly sought refuge across the borders in the Central African Republic and Sudan, where the situation is only marginally better.

Although the recent United Nations meeting in Geneva on emergency aid for Africa responded positively to Chad's request for an extra 27,000 tonnes of food aid, that was not enough, according to Korom Ahmed, Secretary of State for Foreign Affairs.

"We also need aid to develop the country and provide better protection against future droughts. We cannot keep asking for survival aid," he said. At Geneva, Chad asked for $54m worth of aid this year.

Unlike other African countries, Chad reacted promptly and positively to the drought and famine disaster. Relations between aid donors and the Government are good and weekly meetings have helped to co-ordinate relief work.

After President Habré's recent successful tour of the strife-torn south, it seems that the situation there has stabilised and that Chadians may now be able to devote more of their energy to fighting drought and famine rather than each other.

However, there are still about 7,000 Libyan troops in the north, backing the rebel forces of ex-president Goukouni Oueddei and the construction of two new 4,000m runways near the Niger and Sudanese borders poses a new strategic threat.

Kohl set to visit Ankara

WEST GERMAN Chancellor Helmut Kohl is set to begin a three-day visit to Turkey tomorrow, the first by a West European head of government since the 1980 military coup, Reuter reports.

His talks with Prime Minister Turgut Özal are expected to focus on Turkey's strained ties with the European Community, defence and other bilateral issues.

Herr Kohl, who will be accompanied by Herr Jürgen Ruhfus, Foreign Affairs State Secretary, will also meet President Kenan Evren and other officials, including Mr Zeki Yavuztürk, the Defence Minister.

Officials said the rights of about 500,000 Turks working in West Germany and their 1m family members were likely to be a key issue in Herr Kohl's talks with Mr Özal.

Topics to be discussed include cultural co-operation, the reintegration of Turkish workers' children when they return to Turkey from West Germany, economic ties and Turkey's relations with the European Community, and its position in the Council of Europe.

The two countries are split on what Turkey says is a provision in its 1961 Associate Membership agreement with the European Community that allows Turks to seek work freely in the Community from December 1 1986.

Bonn says it will not allow any new influx of job-seeking Turks. But Ankara plans to seek concessions before dropping the issue, possibly including $400m in Community aid frozen after the 1980 coup

West German officials said they also expected Ankara to press for more West German military aid. It will have received DM 130m ($43m) in the 18 months to next December 31.

Minister's resignation urged over Heysel riot

By Our Brussels Correspondent

POLITICAL tension has risen in Belgium following the report of a parliamentary committee on how 38 football supporters were killed before the Liverpool-Juventus football match at the Heysel Stadium in Brussels on May 29.

The report has led to calls for the resignation of Mr Charles-Ferdinand Nothomb, the Interior Minister. Opposition parties have tabled a motion of no-confidence in the four-party coalition government led by Mr Wilfried Martens. The Parliament will debate the matter next Friday.

If unchecked, the political tension could lead to the collapse of the coalition, although Mr Nothomb said yesterday that he approached the debate "with serenity." If he is forced out of the government his colleagues from the French-speaking Christian Democrats might also resign.

Publication of the Heysel report follows revival of communal tensions in the Parliament over a minor item of educational spending, in which the French-speaking Christian Democrats were also involved.

They and other French-speaking deputies used their right under the constitution to ring what is called "the alarm bell" which has the effect of freezing a measure and returning it to the cabinet. The bell can be rung if three-quarters of the members in a linguistic group feel a measure damages communal relations.

The biggest linguistic group in Belgium is Dutch-speaking, based on Flanders in the north of the country. This is the first time the alarm bell has been rung.

Mr Nothomb and other French-speaking ministers backed the ringing of the alarm bell. Mr Martens is seeking to defuse the issue by separating the constitutional problem from the symbolic issues the educational spending evokes.

These come back to the division of educational speding between the linguistic regions and whether control of education should be handed over to the communities. On the latter point, Mr Nothomb and his colleagues are in a minority in wishing to keep its education a national and not a communal matter.

Their difficulties in the coalition are compounded by the Heysel report which described grave shortcomings in the conduct and organisation at the stadium on May 29 of the gendarmerie, the state paramilitary force which is one of Mr Nothomb's responsibilities.

Although the parliamentary committee placed the blame for the deaths squarely on the boulders of Liverpool football supporters, it found that the gendarmerie, involved in security at Heysel, had been badly prepared, ineptly deployed, badly commanded because of lack of information and too rigid in its organisation.

But the committee was divided on exactly how much responsibility for all of this should be placed on Mr Nothomb.

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Lance quits Democratic Party post

MR BERT LANCE, the former head of the U.S. Office of Management and Budget in the Carter Administration, has resigned as chairman of the Georgia Democratic Party to fight allegations of improper business practices at the Calhoun First National Bank of which he is chairman.

A year ago, on the eve of the Democratic Party's convention in San Fransisco, Mr Lance, who was forced to resign from the Carter Administration following allegations of improper handling of funds at the bank, appeared to be on the verge of a startling political comeback. The Democrat's presidential candidate, former Vice-President Walter Mondale, chose him to chair his presidential campaign. However, an outcry against Mr Lance's appointment forced him to quit

The Atlanta Constitution, a leading newspaper in the state, recently published a federal bank examiners' report on the bank detailing new irregularities.

Spanish economy minister introduces different style

BY TOM BURNS IN MADRID

Sr Carlos Solchaga, Spain's new Economy Minister, has been entrusted with maintaining the same austerity programme as his predecessor, Sr Miguel Boyer, but he has already signalled that he will implement it in a markedly different style.

Over the weekend Sr Solchaga chaired an informal meeting of the so-called Cabinet Delegate Committee of Economic Affairs, which comprises the holders of the agriculture, industry and energy, transport, employment, health and public works portfolios, in what appeared to be a bid for consensus over political priorities on economics.

The move contrasted sharply with the style of Sr Boyer, who tended to keep Cabinet colleagues at a distance and whose undoubted haughtiness helped create considerable tensions within the Government.

Sr Solchaga has also made it known that he is anxious to re-establish a dialogue with employers and unions. Sr Boyer had been criticised, particularly by labour organisations, for refusing to discuss policies.

The apparent attempt to establish greater collegiality in government and to mend fences outside the Cabinet are however, changes in form rather than content. When Prime Minister Felipe Gonzalez announced the new Government and the resignation of Sr Boyer last week, he stressed that there would be no change in economic policy.

Sr Solchaga has since endorsed that statement by insisting that he will continue the broadly monetarist Boyer economic doctrine. The priority is to streamline the economy to meet the challenges posed by European Community membership.

Sr Solchaga inherits Sr Boyer's "super ministry," which combines economy, finance and trade, but he does not enjoy his predecessor's unchallenged status as the economic eminence grise of the Cabinet.

Karami seeks Syrian support

LEBANESE Prime Minister Rashid Karami said yesterday bis Government was "defunct to a great extent" and urged Syrian help to restore security in Beirut, the official Syrian news agency said, Reuter reports from Damascus.

Mr Karami is in Damascus for Syrian-mediated talks with Lebanese Shi'ite, Sunni and Druze leaders on ways to halt clasbes between Moslem groups in west Beirut and to revive Christian-Moslem political dialogue, Syrian political sonrces said.

Sana said Mr Karami bad preliminary talks today with Syrian President Hafez al-Assad and Prime Minister Abdel-Rauf al-Kasm.

Rabin warns of cuts in military spending

Israel's economic crisis has forced unprecedented cuts in the country's military strength, Mr Yitzhak Rabin, Defence Minister said yesterday, Reuter reports from Tel Aviv.

"The fighting force of the army has never been redpced as mnch as I have had to do as Defence Minister during the past 10 months," Mr Rabin said. "The regular forces will go down, the armoured forces will go down," he said in a speecb to members of kibbntz collective settlements. According to the International Institute of Strategic Studies, Israel's armed forces total 141,000, with 500,000 reservists.

Former Guinean Premier arrested

Guinean President Lansana Conte said yesterday that Diarra Traore, the former Prime Minister who led Thursday night's attempt to overthrow him, had been arrested and he vowed to avenge those who died, Reuter reports from Conakry.

The President said 18 people died in the coup attempt and 229 were wounded. Guinean anthorities had said earlier that 15 were killed and 100 wounded.

Tamil leaders in secret talks

Leaders of Sri Lanka's five major Tamil guerrilla groups left yesterday for secret, Indian-sponsored peace talks starting today in the tiny and remote *Himalayan kngdom of Bhutan*, Reuter reports from New Delhi.

The talks will bring together for the first time Tamil separatists fighting for an independent nation for the 2.5m minority and Colombo officials in talks aimed at solving the island's ethnic crisis.

Sudan to ask Egypt to extradite Numeiri

Sudan will ask Egypt to extradite deposed President Jaafar Nimeiri, bnt will try him in his absence if—as appears likely—Cairo does not hand him over, Prime Minister al-Gazouli Dafaa-Allah has said, Reuter reports from Khartoum.

The official Sudan news agency (Suna) quoted Premier Dafaa-Allah as saying the extradition of Mr Nimeiri, who be said had "committed many crimes and oppressed the Sudanese people for 16 years," was sought by popular consensus.

Afrikaaner youth leader retains post

Ultra right-winger Mr Carel Boshoff this weekend barely survived an attempt to oust him as head of the ruling white Afrikaaners' important Voortrekker youth movement by a *member of the so-called* Verligte (enlightened) group, Reuter reports from Stellenbosch.

Mr Boshoff, a former chairman of the secretive Broederbond body which has been the pillar of Afrikaaner domination aince the Second World War, retained his post by only 23 votes.

Mugabe set to use poll victory as mandate for change

BY MICHAEL HOLMAN

THE PROSPECT of a major constitutional confrontation between Zimbabwe's ruliog Zanu-PF Party and the country's two leading minority parties came a step closer at the weekend when Mr Robert Mugabe, the Prime Minister, renewed his threat to abolish the 20 entrenched white parliamentary seats and said be would treat bis massive general election victory as a mandate for a one party state.

Both Mr Joshua Nkomo's Zapu Party, which won 15 of the 79 contested black seats, and Mr Ian Smith's Conservative Alliance, reacled cautiously yesterday to Mr Mugabe's clearest indications to date of his intentions, made during a Press conference at his Harare home.

Officials of both parties are *hoping that Mr Mugabe's* comments represent the rhetoric of the bustings rather than a blueprint for constitutional change which would hreak the terms of the Lancaster House agreement drawn np under British cbairmanship in 1980.

But In private senior members of both Zapu and Zanu believe that the Prime Minister's comments represent a watershed in his bitherto comparatively tolerant stance towards the opposition.

Minority party leaders Joshna Nkomo (left), Ian Smith and Abel Muzorewa find little comfort in Premier Mugabe's electoral victory

Mr Mugabe, fresh from his election victory in which his party woo 63 seats, appeared in a fighting mood when he spoke to reporters. Tbe wbite bloc, Mr Mugabe said, "must go, and must go immediately. We cannot wail. If we cannot do it with the support of everybody, we will make the amendments with the support of those who want the amendment made." As to the prospect of a critical response from western governments, wbo provide the bulk of Zimbabwe's foreign aid, Mr Mugabe was uncompromising. If the west did not accept the change, be declared, "it can go hang."

Abolition of the white bloc requires the support of all 100 MPs if it is to be dooe before 1987, and 70 MPs after then.

A careful reading of Mr Mugabe's comments about a one party state, however, suggests that he will proceed more cautiously on this issue. Althongh be argued tbat his election victory provided the mandate for such a move, nothing be said suggesled that a one party state is immioent.

Membership of Zanu would first be open to all, he said, to pave the way for "when tbe time docs come for a one party state." But in the meantime he served what sources close to Mr Nkomo interpret as a final warning to his *long-time* rival.

Tbe gist of Mr Mugabe's message was that unless the activity of anti-Government dissidents in Mr Nkomo's stroogbold of Matabeleland is halted, the authorities will renew a harsh military campaign to round up the rebels, many of whom are believed to be ex-members of Zapu's disbanded guerrilla army wbich fougbt in the war for independence.

Should the Government launch such an offensive, seoior members of Zapu believe, it could well include the banning of Zapu. The most significant feature of the post election campaign was the near absence of dissident activity io Matabeleland in the run-up to the vote and during polling itself. In the view of many observers, the effective ceasefire confirms that the dissidents have an efficient chain of command—and Government argues that the chain of commaod is ultimately answerable to Zapu itself.

Even some of his old t:l colleagues concede that Mr Nkomo bas little option other than to negotiate with Mr Mugabe the terms of Zapu's demise.

The mood among the white community is jittery and apprebensive.

Mr Smith tried to anticipate the consequences of his victory which so angered Mr Mugabe with a placatory interview with the locat news agency, assuring Government that he was prepared to co-operate and declaring his support for reconciliation. It has had little impact and the parliamentary life of most of the new intake of wbite MPs is likely to be short.

Most observers believe that Mr Mugabe, who has now whetted the appetite of his electorate for such a change, will press ahead with the abolition of the white seats. But he could well temper the action by introducing a provisioo which would allow him to nominate perhaps 10 MPs.

This almost certainly will not mollify Mr Smith, who would in all probability challenge the validity of the change in the Zimbabwe high courts.

Hanoi vows to return remains of U.S. troops

VIETNAM has told the U.S. it will return the remains of 26 more Americans listed as missing in action from the Vietnam War, the State Department said in a statement yesterday, Reuter reports from Hong Kong.

The handover, expected to take place in six to eight weeks, would be the biggest since the end of the war 10 years ago. Vietoam has handed over the remains of 99 servicemeo since the war ended. A total of 2,464 Americans are listed as missing in action (MIA).

The statement welcomed the promised handover as concrete evidence of Hanoi's public commitment to accelerating its efforts to clear up the issue, one of two major problems blocking any U.S. moves towards normalising relations.

The statement, issued during a stopover on Secretary of State George Shultz's journey to South-East Asia, also confirmed that Vietnam had pledged to resolve the issue within two years.

U.S. officials said the pledge, transmitted to Washington last week by Mochtar Kusumaatmaadja, Indonesian Foreign Minister, was repeated to U.S. officials in Hanoi talks on the issue which ended over the weekend.

U.S. officials called the promise to hand over more remains "extremely positive" but were more cautious on Hanoi's pledge to clear up the issue in two years.

"I think we could do it but it would take a lot of work to do it that quickly," one official told reporters.

President Ronald Reagan has said repeatedly that he will make no moves towards normalising relations with Vietnam until the MIA issue is resolved and a political settlement is reached in Kampuchea.

Canada to end S. African tax agreement

BY BERNARD SIMON IN TORONTO

CANADA Is to cancel a double taxation agreement with South Africa and monitor the compliance of Canadian companies with a Government code of employment practice as part of a tougber policy towards Pretoria.

The measures fall short of some anti-apartheid groups' call for a comprehensive trade embargo and curbs on investment by Canadian companies in South Africa. Mr Joe Clark, External Affairs Minister, said at the weekend that such measures bad been rejected for the time being to avoid further bardship on South African blacks.

Further sanctions would be considered next year *as part of* a "step by step," carrot and stick approach, depending on the South African Government's progress in dismantling its race policies.

Although Canadian companies' compliance with the 1978 code of conduct remains voluntary, Mr Clark said that an "independent and impartial" administrator will monitor their performance, reporting to parliament and releasing his findings to the public. An official will also be appointed to the Canadian Embassy in Pretoria specifically to cover labour affairs.

About 40 Canadian companies have substantial investments in South Africa. They Include Alcan Aluminium, Bata Shoes, Dominion Textile and the mining group Falconbridge. Only Alcan has filed annual reports on its compliance with the code of conduct. Bata bas been widely criticised lately for employment practices at its plant in the Kwazulu tribal "homeland."

Canadian companies will be barred from selling "sensitive" equipment such as computers to the South African armed forces and police, the government said. Imports of uranium from Namibia, which South Africa administers in defiance of the United Nations, will be prohibited once an existing contract with the state-owned Canadian uranium company Eldorado Nuclear expires in 1988.

Senate to begin debate on sanctions against Pretoria

U.S. PRESSURE on South Africa to end apartheid looks set to intensify this week as Congress moves closer to agreeing sanctions, Reuter reports *from Washington.*

The Republican-led Senate, in a debate starting today, is preparing legislation that would be a sharp rebuff to President Reagan's cautious approach to Pretoria's policies.

The House of Representatives recently passed a Bill for sanctions against South Africa by 295 votes to 127. House members approved economic curbs last year, but Congress adjourned before Senate action and the measure died.

The House and Senate Bills would prohibit new U.S. bank loans to the South African Government, prevent sales of U.S. computers and technology that South African military or police could use, and stop U.S. nuclear technology exports.

Both Bills would also prevent U.S. companies making new investments or expanding their operations in South Africa and would prohibit imports of South African Krugerrand gold coins.

Gujarat leadership change fails to stem violence

BY K. K. SHARMA IN NEW DELHI

VIOLENCE continued unabated in the main towns of Gujarat state yesterday despite the appointment of a new chief minister by Prime Minister Rajiv Gandhi over the weekend. More than 200 people have been killed in Gujarat since statewide agitation against reservation of government jobs for backward classes began four months ago.

Hopes had been raised on Saturday that the agitation would cease after Mr Madhavsingh Solanki resigned as Chief Minister but the main organisations responsible for it have announced their intention to continue.

Mr Solanki's successor, Mr Amarsingh Chaudhury, yesterday held talks with Mr Gandhi on ways to check the violence. Since Mr Chndhury is a lieutenant of Mr Solanki, it is unlikely that tbeir opponents will be appeased merely by a leadership cbange.

Mr Gandhi, yesterday also held his first major news conference since taking power eight months ago, and called for tongh global action to deal with terrorism and said there was no way the Indian Government was going to "succumb to any pressure, whether terrorist or otherwise," he said.

He said he would hold talks with opposition parties on the controversial issue of reservations of jobs but made it "absolutely clear" that there would be no change in the policy of reservations that benefit the backward castes and tribes.

Mr Gandhi did not elaborate on steps to be taken to settle the Gujarat problem, which has been a serious source of embarassment to bim for most of bis six months as Prime Minister. It was the job of the new Chief Minister to tackle the question.

Mr Gandhi was hopeful that normality could be restored in the troubled state of Punjab but made it clear that the Government would not succumb to terrorist pressure.

Afghan friendship offer

AFGHANISTAN has offered friendship to three neigbouring countries while warning of unspecified consequences if they continued to help guerrillas fight the Soviet-backed government, Reuter reports from *Islamabad.*

"We offer the hand of friendship to Iran, Pakistan and China," President Babrak Karmal told the politburo of the ruling People's Democratic Party of Afgbanistan.

However, he also accused Pakistan of becoming "a tool in the hands of American imperialism" and warned it would be responsible for the consequences if "violations and plots" were not stopped.

He said the Iranian Government was also training, arming and sending counter-revolutionaires into Afghanistan. He *added: "The Chinese* begemonists also have a band with them."

President Karmal accused all three of interfering in Afghanistan's internal affairs and advised them to take "useful steps in accordance with the wishes of their people and principles of peace, coexistence and good-neighbourliness."

China outlines bans on spending

BY ROBERT THOMSON IN PEKING

GOVERNMENT purchases of motor-cycles, cars, sofas and carpets have been banned under administrative spending cuts annonnced by China's finance ministry, following a blowout in spending by both central and local governments.

The finance ministry has ruled that "no public money will go on leisure activities and unnecessary meetings," and the monetary allowance for meetings is to be cut by a third. The spending bans will apply for at least the second half of this year.

Overspending on imports of foreign goods and fears of e lack of control over the financial system generally are thopght to have prompted recent statements by Deng Xiaoping, the Chinese leader, that China's pragmatic economic reforms are an "experiment."

"Although China has been carrying out economic reforms for five years, we can only call it an experiment," Mr Deng explained.

A finance Ministry official said administrative spending has risen in recent months, despite a central government call for a 10 per cent reduction. Chinese leaders were alarmed that administrative expenses last year were Yuan 12bn (£3.2bn), 144 per cent over budget.

"The ministry bans purchases of cars, motor-cycles, sofas and carpets so as to cut facility spending. Maintenance spending must also be reduced," the Chinese news agency, Xinhua, reported yesterday.

"Overstaffed departments will get no adminstrative funds for unwarranted personnel increases. Wages, bonus and subsidy increases must be approved."

The negative side-effects of the economic reforms are believed to have caused debate within the leadership over the pace at whicb reforms should be introdpced.

In recent months, Zhao Ziyang, the Chinese Premier, has spoken of the country's economy "overheating," and said there was a need to slow down, thougb the direction of reform would not be changed.

Last week, Mr Deng made specific mention of the Shenzhen special economic zone in southern China. Sbenzhen, established in 1980, haa been a testing ground for *China's* economic policies, and is designed to attract foreign investment and generate income througb exports.

Sbenzhen has been allowed to use Western-style management methods, and has been seen by foreign businesses as the barometer of Peking's economic intentions for the rest of the country.

Mr Deng told a visiting Algerian delegation that the success of the zone "bas yet to be proven. We have yet to see whether this is the right course or not. We hope it will succeed. If it fails we can draw lessons from it."

In contrast, last year, Mr Deng said that the "development and experience" of Shenzhen "have proved the correctness of the policy of establishing special economic zones."

The Chinese leader's new line on Shenzhen has been interpreted by diolomats here as a form of "tecking." There is no doubt, they say, that the Chinese economy will continue on its present course, but the Chinese leadership will have to make occasional concessions to head off those within the Government who oppose the reforms and those wbo think too much has happened too soon.

WORLD TRADE NEWS

Gatt talks begin amid doubts on trade in services

BY WILLIAM DULLFORCE IN GENEVA

ANOTHER EFFORT to pave the way for a new round of international trade negotiations begins bere today at tho boadquarters of the General Agreement on Tariffs and Trade (Gatt) with doubts about the attitudo of tho devoloping countries still clouding the issue.

A Brazilian document spelling out conditions for the opening of talks about trade in services appears to have hardened tbe position taken by the developing countries at an informal meeting in Stockholm last month of trade and other ministers, at whicb a breakthrough was thought to have been achieved.

Gatt officials are concerned that this development, coupled with tho growing pressure on President Ronald Reagan from U.S. senators and congressmen to introduce protectionist measures, could delay or at worst joopardise the negotiations.

Tho U.S.'s patience about the foot-dragging of somc developing countries, principally Brazil and India, may be wearing thin, and the Reagan Administration could be tempted to implement previous hints that it would resort to negotiating bilateral trade deals.

Gatt's consultative group of high-level government officials from 18 countriea is scheduled to spend tho next two days clearing the ground for the next meeting of the Gatt council on July 17 and 18.

The council, it was boped, could then decide to call a meeting of senior officiala before tho end of September to prepare for the start of tho trade talks early next year, thereby fulfilling the hopes primarily of the U.S., but also of the EEC and Japan.

The chances of this timetable being kept, however, bave weakened since the Stockholm meeting.

Sr Olavo Setubal, Brazil's Foreign Minister, tabled in Stockholm a formula under whicb negotiations about trade in services would be conducted separately from but parallel witb the negotiations about trade in goods.

The U.S., which has been insisting against the opposition from developing countries, that the new round shonld embrace services, initially appeared to accept this twin-track compromise.

Since then, however, the Brazilian external relations ministry bas circulated a "communication" laying down conditions to be agreed by the industrialised countries before talks on services could start.

There would be no parallelism or trade-offs between tbe two sets of negotiations, nnder these conditions. The services talks would be prepared by officials totally distinct from those preparing tbe talks on goods and the two negotiating processes would be completely independent of each other.

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Above all, tho Brazilian paper insisted that Gatt rules would not apply to the talks on services wbich would have to start from scratch.

Representatives of developing countries in Goneva recently suggested that the United Nations Conference on Trade and Development could offer a better forum than Gatt for negotiations on services.

The suggestion would be completely unacceptable to tbe U.S.

Mr Artbnr Dunkel, Gatt's director-general, has held informal talks with heads of missions bere over the past few days but bas not succeeded in clarifying the situation before today's meeting.

World Economic Indicators

FOREIGN EXCHANGE RESERVES

(U.S.$m)

	May 85	Apr. 85	Mar. 85	May 84
U.S.	7,158	7,049	7,041	6,430
UK	7,467	7,476	7,020	7,500
Japan	23,191	22,782	22,479	21,150
W. Germany	33,781	32,829	32,101	39,459
France	20,968	20,222	19,602	19,304
Italy	17,617	16,894	16,737	17,520
Belgium	4,138	3,803	3,716	3,174
Netherlands	7,522	7,404	7,371	8,580

Source: IMF

SHIPPING REPORT

Grain rates set to decline further

By Andrew Fisher, Shipping Correspondent

SHIPBROKERS had no *difficulty finding words* to describe the sorry state of shipping markets last week. "A ghastly week for dry cargo owners," said Denholm Coates, while E. A. Gibson Shipbrokers wrote of "a catastrophe" for those owning tankers.

Grain rates touched new lows and looked like falling oven further, said Denbolm. The rate from the U.S. Gulf to continental Europo was $6.50 (£4.90), a three-year low, against around $8 last month, with that from the U.S. to Japan at $12.35, less than last year.

Eggar Forrester, another London shipbroker, said in its monthly report there was more pessimism in the market then at any time in the 1980s. Like Denholm, it said too many ships were still being built. "It looks like a long haul before a bettor market can develop."

Tanker trading from the Gulf was minimal last week. Tankor operators await the outcome of the Opec talks to see if the market will be stabilised by accord on prices and quotas.

Shipyard auction in Singapore raises £10m

AN AUCTION of machinery and equipment just completed at the Robin Sbipyard in Singapore to buyers from 15 countries raised S$29m (£10m), our Shipping Correspondent writes. This made it the largest industrial auction beld in south east Asia, said Henry Bntcber, the British company which organised the sale.

The auction was part of the yard's rationalisation programme. The yard, part of the privately-owned Robin property and industrial group in Singapore is still in business but has no work now during the recession in offsbore-related construction.

Butcber, which also handled the auctions of the Talbot car plant in Linwood, Scotland, in 1981 and of the De Lorean factory in Belfast last year, eaid the Robin sale comprised more than 3,000 lots.

Qatar may pipe gas to Europe

BY MAGGIE FORO IN QATAR

THE GULF oll producing state of Qatar is considering an ambitious plan to build a pipeline to Europe in order to exploit *its huge reserves* of natural gas in the offsbore North Field.

The project, estimated to cost at least $10bn (£7.7bn), would provide a rival source of supply to the Soviet gas plpeline when European countries need extra gas from the end of the next decade.

Tbe plan has the support of Turkey whicb would like to buy gas from Qatar and through whose territory the plpeline would run. Mr Turgut Ozal, the Turkish Prime Minister, said recently tbal the plan bad been positively received by the U.S. and Saudi Arabia. He was confident of winning backing for the project. The U.S. is known to be concerned about any increase in European dependenco on Soviet gas supplies.

The pipeline would follow a routo from Qatar to the Saudi border, along the Gulf coastline to Kuwait, *which is having difficulty* producing sufficient gas for its industries, and then across Iraqi territory to Turkey. The extension to Europe would cross Greece and join up with the existing gas pipelino in Italy.

Qatar's North Fiold contains proven reserves of 150 trillion (million million) cu ft of gas and may contain as much as 300 trillion cu ft. The pipeline would be tho second stage of a three-phase development plan under whicb Qatar would also produce gas for its own domestic needs and later liquefied natural gas for sale to overseas markets such aa Japan.

Six international engineering groups have been short-listed to bid for tho consultancy and project management of tho development of the North Field. They are Bechtel, Fluor, Foster Wheeler and the M W Kellog/Lummus Crest consortium, all of the U.S., *the Anglo-American* combination of Ralph M Parsons and Worley Engineering, and Technip of France.

Their proposals are expected within weeks and the Qatar General Petroleum Corporation bopes to go ahead with the first pbase of tho project within 18 months. Thie phase would produce 800m cu ft of gas per day (cfpd) to service local industrial needs with somo gas left over for reinjection to prolong the life of Qetar's other gasfield, the onshore Khuff.

Tbe cost of development of tho field is likely to be at least $6bn apart from the pipeline and commitments with buyers *and on price* are necessary in advance.

Kieran Cooke on Britain's bid for defence equipment sales

Indonesia brings shopping list to UK

INDONESIA, as one British executive explains, is being courted by the world. The UK, however, has been slow to realise the full potential of aeveral of Indonesia's markets. So, adds the executive: "We've got to start our own seduction games very quickly."

The opportunity to do so could come in the next few days, during n visit to Britain by Dr Yusuf B. J. Habibie, Indonesia's Minister of Research, Science and Tech*nology*, who is beading the country's fledgling aerospaca programme. The attention of Britain's aerospace and military defence industry will, therefore, be focused on tho Minister's travels.

He has *already* been in several European countries with a long sbopping list of alrcraft and defence equipmeot. Dr Habibie starts a round of meetings today with Mrs Margaret Thatcher, the UK Prime Minister, and several of her senior Ministers, followed by tours of most of Britain's leading civil and military equipment manufacturers.

Other countries, particularly West Germany and France, have long realised the polential of Indonesia's aerospace and military markets.

Dr Habible is a key element in the battle for lucrative civil and military sales to Indonesia. He is a close confidant of President Suharto, he is head of Nurtanio, the state aircraft manufacturing concern, oversees the state shipbuilding and railway development programmes, and has an array of other enterprises under his command, including electronics, telecommunications, and the manufacture of energy equipment and weapons systems.

Habibe: infinential

Dr. Habibie has let it be known he is interested in four areas of British expertise:

Civil aircraft: British Aerospace (BAe) recently signed a contract for the sale of one of its 146 four-engined jets to Indonesla, to be used by President Suharto.

The 146 carried out a successful demonstration tour of Indonesia last year and further sales are thought likely. Indonesia is also interested in the new BAe advanced turboprop or ATP which is now in full production.

Fighters: The battle is on to win the contract for a new generation of fighter aircraft for the Indonesian air force. The front runners, so far, are the General Dynamics F16 and the Northrop F20 Tigersbark. General Benny Murdani, tho powerful head of Indonesia's armed forces, is pressing hard for a number of tho advanced, long-range F16s.

Dr Habibie, who has not always seen eyo to eye with General Murdani, is thougbt to favour the F20, which he regards as more cost effective.

But because of delivery delays and the enormous cost involved in the American fighters—the F16s, depending on modifications, can cost up to $20m—it's felt that Indonesia will settle for a mix of supersonic and subsonic aircraft.

This is where BAe is hopeful of scoring with its new generation of Hewk 200 fighters.

Missile systems: Dr Habibie will be looking at advanced missile systems, sucb as the Sea Eagle. Last year, BAe won an Indonesian contract for Rapier *systems worth $120m. Further* sales of the Rapier are likely, though the Franco-German Roland system is competing strongly.

Tanks: The Indonesian army wants a substantial number of light tanks and Dr Habibie has had discusions with Alvis on collaborative ventures to manufacture the Scorpion. A figure in excess of 600 has been mentioned and Dr Habibie will be visiting Alvis during his UK visit.

He will also be looking at the operations of Vosper Thorneycroft shipyards in Southampton. However, as many an executive will vouch for, doing business with Indonesia is not easy. In the case of aerospace and military *sales*, several conditions have to be met.

These inclnde satisfying the requirements of not only Dr Habibie, but also certain very influential parties in the Indonesian hierarchy and, of course, the armed forces.

Another crucial factor is how much British companies are willing to commit in terms of transfer of technology, or bow willing they are for involvement in joint manufacturing.

One step in the right direction is a joint agreement on science and technology between Britain and Indonesia which is due to be signed by Mrs *Thatcher* and *Dr Habibie*.

But perhaps the most important factor will be how mnch financial support the British Government will offer in order to secure contracts.

Britain recently broke with tradition and pledged £10m in soft loans to Indonesia as part of its contribution to the annual pledges of the Intergovernmental Aid Group on Indonesia (IGGI).

Earlier last week, Mr Paul Channon, the UK Trade Minister, said, at the end of a visit to Jakarta, that Britain was working on another substantial soft loan package for Indonesia.

Britain, however, is entering the fray rather late and other countries, particularly France and West Germany, have already offered substantial soft loan packages for contracts in Indonesia.

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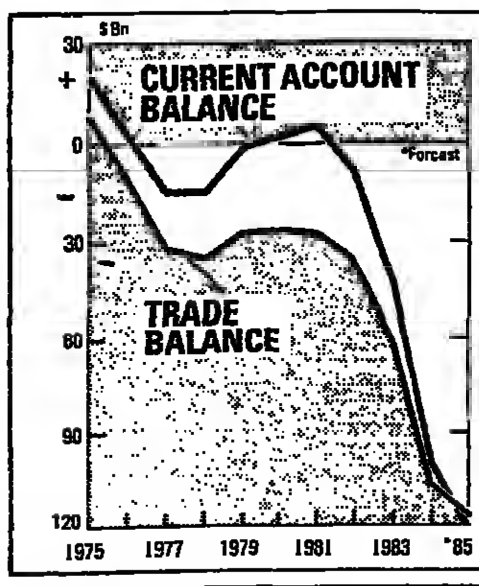
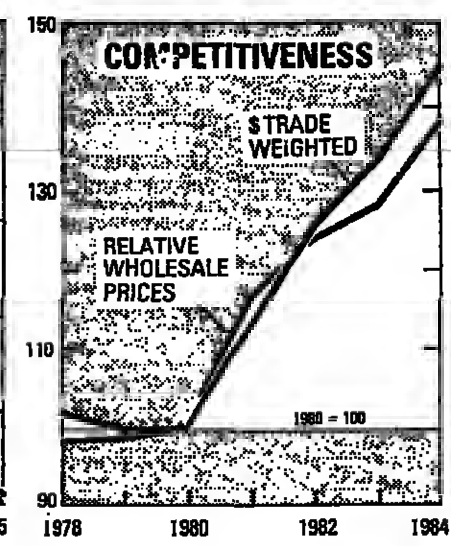
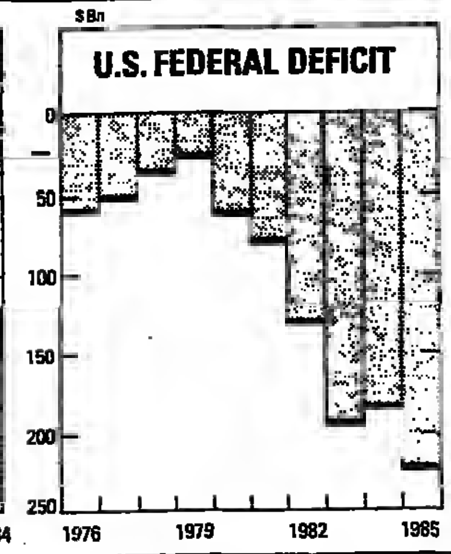
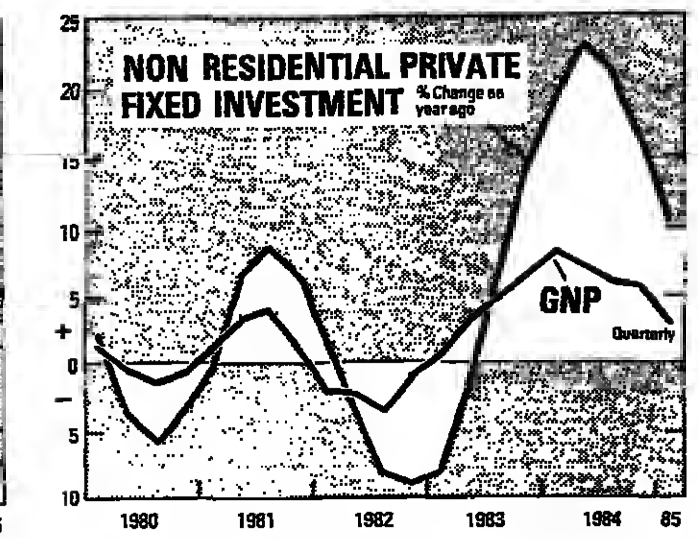
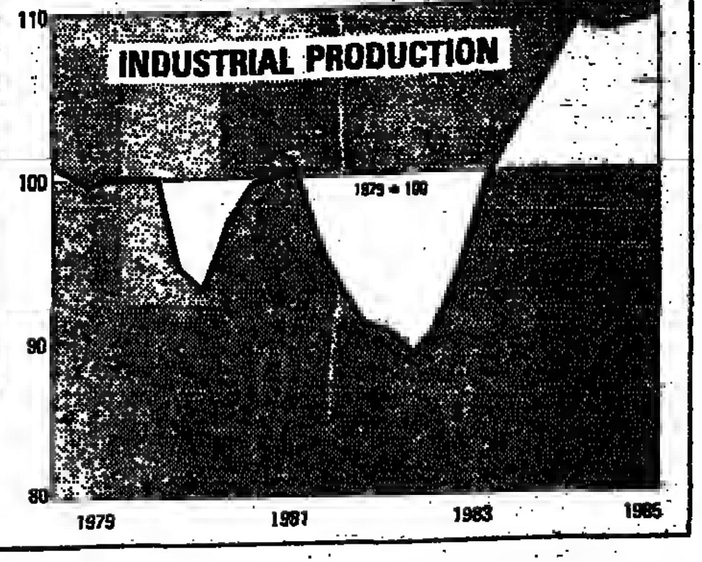
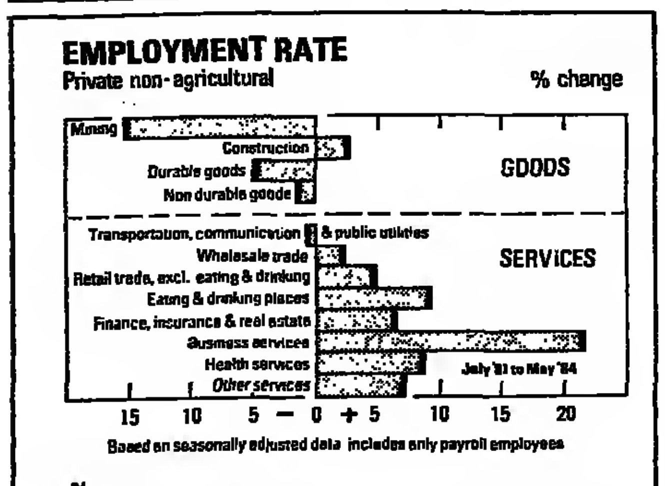


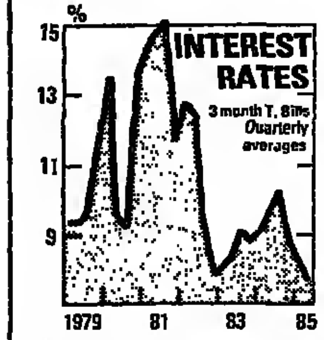


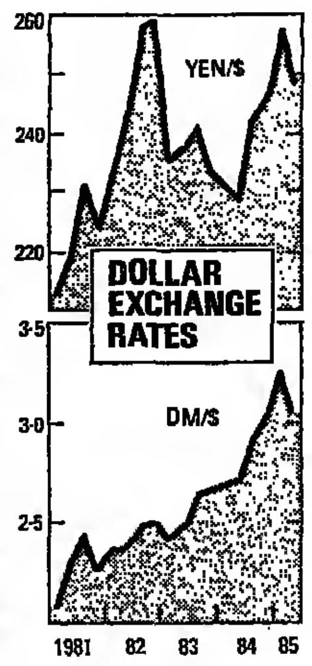


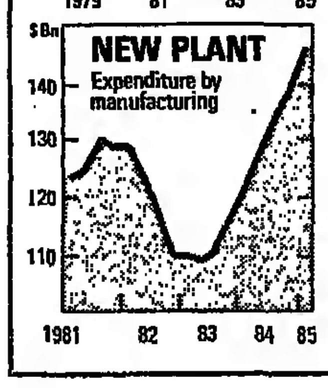












Coming to terms with slower rates of growth

AFTER spectacular growth in 1983 and 1984 when real gross national product (GNP) rose by 11 per cent, the U.S. economy has settled down to a lower rate of growth closer to that of European countries. Attention is focused on the budget deficit and on the widening trade deficit both of which pose a threat to the continued expansion of the U.S. economy.

The main features of the current recovery have been particularly strong fixed investment in business and growth in consumption.

Unemployment has fallen and at just over 7 per cent is now 3 percentage points below the EEC average. Interest rates, though high in real terms, have fallen considerably in nominal terms from the peak rate of around 15 per cent in 1981/82.

The dollar continued to strengthen during the recovery, raising the effective exchange rate to 40 per cent above its 1980 level, thus increasing the competitive pressures on U.S. industry. Corporate profits, having increased sharply in 1983/84, have gradually declined over the past nine months and are forecast to decline further.

The substantial gain of 6.3m jobs made during the first 18 months of the recovery between November 1982 and May 1984 wiped out the 1.7m job losses during the recession of 1981/82 leaving a net gain of 4.6m jobs.

These job gains were not evenly distributed. Private service industries gained 4.8m while manufacturing lost nearly 1m jobs. Self-employment increased by 600,000 and public sector jobs by 100,000. The service sector overall now accounts for nearly half of GNP and nearly two-thirds of jobs.

The growing deficit on the current account—over $100bn in 1984—mirrors the trade balance, as the balance on invisibles moves slightly into deficit.

The considerable growth in imports—up by $70bn in 1984—is in part due to the high dollar but also reflects the surge in domestic demand in the U.S. compared with the other major industrialised countries which presented the more sluggish economies with an export market. U.S. exports rose in 1984 by $17bn, after several years of decline, but are still below the 1980 level.

To reduce the trade deficit, other than through protectionist measures, requires either a slowdown in import growth and/or an increase in exports.

Even though the economy is growing slower, domestic demand is still set to grow faster than in Europe from where much of the imports have come. Western Europe had a 25 per cent share of increased U.S. imports between 1982 and 1984.

The principal increase in overall imports has been in machinery and transport equipment, accounting for 55 per cent. An analysis by stock brokers Phillips and Drew of import penetration over the period 1972 to 1984 shows that certain industries such as motor vehicles lost market shares to imports in the 1970s and 1980s, whereas other industries such as computers and semiconductors maintained their market position until the last two years.

The growing current account deficit, causing the U.S. external debt to rise by over $100bn a year, will result in the U.S. becoming a net debtor nation by the end of 1985.

U.S. debt to GDP ratio is lower than most European countries but is very high as a proportion of exports; and the pace of debt growth is greater for the U.S. than it was in Europe during the 1980/83 period when Europe was running a current account deficit.

Although the widening trade deficit and the external debt position put pressure on the U.S. dollar, some economists consider that the continuing high level of the Federal deficit—$225bn in 1985—could prevent the dollar falling sufficiently to aid substantially the competitive position of U.S. industry and thus improve the export position.

CURRENT ACCOUNTS

$ bn

	U.S.	JAPAN	EEC
1976	4	4	4
1977	−15	11	3
1978	−15	17	16
1979	−1	−9	−8
1980	2	−11	−37
1981	5	5	−13
1982	−11	7	−6
1983	−41	21	3
1984	−102	35	4
1985*	−120	40	11

* Forecast
Source: OECD

INFLATION (Consumer Prices)

% Change

	U.S.	Japan	Germany	UK
1976	5.8	6.8	4.8	16.5
1977	5.5	8.1	3.6	15.9
1978	7.6	3.8	2.5	8.3
1979	11.3	8.6	4.1	13.4
1980	13.6	6.6	5.8	15.0
1981	10.4	4.6	6.6	11.9
1982	6.2	2.6	5.3	8.8
1983	3.2	1.6	3.0	4.6
1984	4.3	2.2	2.4	5.6
1985*	8.8	2.4	2.5	6.0

* Forecast
Source: OECD/Phillips & Drew

UNEMPLOYMENT RATES

%

	U.S.	UK	W.Germany
1979	5.6	5.6	3.2
1980	7.0	6.9	3.0
1981	7.5	10.6	4.4
1982	6.6	12.3	6.1
1983	9.5	13.1	6.0
1984	7.4	13.3	6.6
1985*	7.2	13.5	8.8

* Latest
Source: OECD

TRADE

	Value $ bn		Volume 1980=100	
	Exports	Imports	Exports	Imports
1978	144	176	84	107
1979	182	216	94	108
1980	221	245	100	100
1981	234	261	97	103
1982	213	244	87	97
1983	201	258	81	108
1984	215	326	87	133

Source: I.M.F.

CAPITAL ACCOUNT

$ bn

	Gross Outflows				Gross Inflows			
	Total	Long Term	Short Term	Banks	Total	Long Term	Short Term	Banks
1980	−78	−28	−3	−47	44	26	7	11
1981	−106	−20	−1	−84	77	33	2	42
1982	−114	−8	7	−111	93	23	4	66
1983	−48	−16	−5	−25	76	23	4	49
1984	−16	−15	6	−7	88	63	7	28

Source: O.E.C.D.

DEMAND, OUTPUT AND PRICES

% changes from previous period, seasonally adjusted at annual rates, volume (1972 prices)

	1982 current prices billion $	1982	1983	1984	1985	1986
Private consumption	1,984.9	1.3	4.8	5.3	3½	3
Government consumption	650.5	2.6	−6.3	3.6	6	3
Private fixed investment	440.6	−6.8	8.7	18.0	6¾	4
Residential	91.2	−15.0	41.7	72.2	¼	1¼
Non-residential	349.6	−4.7	2.5	19.8	8¾	6
Final domestic demand	3,076.3	0.2	4.6	8.8	4¾	3¾
* change in stockbuilding	−26.1s	−1.4	0.6	1.6	−¼	0
Total domestic demand	3,050.2	−1.2	6.6	8.7	3¾	3
Exports of goods and services	348.4	−7.8	−5.5	4.7	2	3½
Imports of goods and services	329.4	1.3	7.8	27.0	8¾	6¾
* change in foreign balance	19.0s	−0.6	−1.2	−1.6	−¼	−¼
GNP at market prices	3,069.3	−2.1	3.7	6.8	3¾	2¾
GNP implicit price deflator	—	6.6	8.8	3.8	3½	3½

* As a percentage of GNP in the previous period. s Actual amount of stock-building and foreign balance.

U.S. AND FOREIGN DEBT†

	% GDP	% Exports
U.S.	10	126
Germany	1.6	2.6
UK	10.5	40.4
France	1.8	8.3

† U.S. 1985 (forecast) Europe 1983
Source: American Express Bank

IMPORTS/NEW SUPPLY RATIO

	1972	1976	1980	1981	1982	1983	1984
STEEL	9.8	8.5	10.8	14.0	17.8	13.5	18.8
MACHINE TOOLS	5.6	10.6	16.3	18.3	21.2	26.6	27.2
FARM MACHINERY	6.2	6.8	13.0	10.6	16.1	11.9	13.5
COMPUTERS	2.8	4.6	4.3	5.2	6.1	6.5	14.2
MOTOR VEHICLES	7.8	6.3	20.1	18.8	19.7	17.3	15.7

Source: Phillips and Drew

RECOVERIES COMPARED

Contribution to GNP growth

	TOTAL	CONSUMPTION	BUSINESS FIXED INVESTMENT	RESIDENTIAL INVESTMENT	CHANGE IN STOCKS	NET EXPORTS
CURRENT RECOVERY	8.0	3.3	1.8	0.5	1.3	−1.3
TYPICAL RECOVERY	5.3	3.2	0.6	0.5	6.7	−6.1

Source: Economic Report of the President

SERVICE SECTOR

	1972	1977	1983
% GNP	34.8	45.1	47.1
Employment (millions)	50.0	58.1	66.7

Source: U.S. Industrial Outlook

CORPORATE EARNINGS GROWTH

% Change

1965/74	1975/84	1984	1985
5.7	6.8	19	6

Source: Phillips & Drew

DEMAND (Total Domestic)

% Change

	U.S.	Japan	Europe
1978	5.6	6.1	2.3
1979	2.0	4.4	4.2
1980	−1.2	1.2	1.6
1981	3.1	2.1	−1.8
1982	−1.2	3.2	0.9
1983	5.0	1.8	1.6
1984	8.7	4.0	1.7
1985	3.7	4.5	1.7

Source: O.E.C.D.

Courtaulds' resistance to last year's downturn in the fibre cycle – the first real test of its reinforced and slimmed down structure – has come remarkably close to bearing all the stress without showing signs of wear. Though operating profits for the year advanced by a modest 5 per cent to £134m in the year to March, the time when they would have dipped even more alarmingly than the demand for acetate yarn is only a few years in the past. At 144p the share price scarcely moved.

Though it is still necessary for Courtaulds to cut capacity in its formerly crucial product group, cellulosic fibres, the endgame stage of this process has just about arrived. Despite all the political opposition to the planned closures in Wales, the market is probably relieved that Courtaulds did not throw away its shears after the rights issue. And the ability to absorb associated write-offs – amounting to about £30m in these figures – can now be seen as one of the freedoms that the new equity was meant to provide.

Tekel, the state tobacco and liquor monopoly that, because a major U.S. acquisition appears to have receded as the group has begun to find more ways of using its cash internally. Capital spending last year was well over twice the depreciation charge, and Courtaulds' confidence to reinvest within its existing business portfolio can be gauged by its willingness to tolerate a cash outflow of £30m or so. With

misleading: though the interest on loan capital will rise, the capital will either replace wholesale deposits costing only marginally less or will be put on deposit itself, bringing in a stream of income almost large enough to wash its face. But this assumes that the banks do not gear up at all, and though they will not, presumably, lend up to the limit on their new capital, there must be some temptation to earn just that little bit more than they would in the interbank market.

And here Quilter is right in bemoaning the low standards of profitability. While Sweden can borrow $500m of 20-year money at 0.0625 per cent under Libid – the banks' marginal cost of funds – there can be little fat left for the lenders. That is if the Bank of England does not stop them lending by raising before opening time. Demand was also heavy among expatriate Turkish workers.

As a result, the entire issue of TL 40bn certificates was sold out within two days. They are first Bosphorus bridge.

There is nothing so interesting in the UK brewing world today as the scamper for market share in lager – a liquid to which miraculous commercial powers are ascribed. Yesterday saw Boddingtons paying a mere 26 times expected earnings for the opportunity to brew lager in the north-west; while, in another part of the market, Allied-Lyons' share price pierced the £2 level on the evidence of a better perform-

years that many Arab countries are cutting back and postponing works that still need to be done," he added. He cites Libya as the latest country where projects and plans have been shelved. Recent reports suggest that up to 200 contracts could be affected by Libya's cutbacks.

The slowdown in Middle East activity is reflected in STFA's turnover. In 1982 it was $236m, in 1983 $215m and last year it was $205m.

The company, like others, is now looking closer to home for work, and with the tight margins it has achieved in Middle East stand a good chance of doing well in Turkey.

STFA is the lead Turkish company in the controversial $550m contract to build a second Bosphorus bridge together with the access roads and motorways.

STFA is involved with Italian and Japanese companies in a consortium which undercut a rival tender from Enka and Cleveland Bridge, the British subsidiary of Trafalgar House, the company which built the expected to bring an average net interest of 50 per cent a year. Dividends are to be paid every six months.

The Keban dam, on the Euphrates, is said to be the fourth largest hydro power Cabinet ministers claimed it was only because of the extremely generous nature of Japanese export subsidies that whether it can achieve with four lagers what Bass does with two: obviously, it is no good if

surrounded UK banks' issues of perpetual floating rate notes to boost their capital ratios, the few notes of caution have mainly been aimed at the investors who bought the paper. Now analysts at Quilter Goodison are suggesting that the notes are not even unmitigated 200 men in the South Yorkshire area would like to be transferred to moderate pits.

The Manvers management, he said, had insisted there would new capital, the argument runs, their margins will be squeezed even more, the loans they make will be of poorer quality and the authorities will probably clamp down on bank lending to restrain money supply growth. If they do not gear up, income gearing will rise because of the increase in loan servicing costs.

price. Boddingtons could as more this year than the £1m of 1974, is another matter; at that Allied is the cheapest of the easily have built a lager brewery as good as Higsons', launched a more promising brand and still had change to tories or other fixed assets as its share of the venture.

The market was sceptical enough to cut Boddingtons' price by 6p, to 73p, which at least had the virtue of keeping the agreed offer below Higsons' net asset value. Even that price seems to discount all the advantages of improving capacity use by splitting ale and lager between the two breweries. There may be benefits in doing up pubs on Merseyside but Higsons did not think so.

ment and the reorganisation of its brewing division will pay off before the competition discovers could be moved from Manvers. That man had his home smashed has been the setting up of joint somthing else.

The requirement to publish a five year profit record on the way to obtaining a full Stock Exchange listing is perhaps not as onerous – or quite as revealing – as investors might think. The principle is apparently that the profits which figure in the prospectus record should be all and only those strictly earned by the assets being offered for sale. Thus it is easy, and perfectly legitimate, to show a smoothly rising progression if only you sell off enough of your loss-makers before the prospectus is drawn up.

THE MANAGEMENT PAGE

Yoji Hamawaki (left) and Luder Paysen, chairman and managing director of BMW Japan

BMW's Japanese driving lesson

Tokyo thinks the German car group is a winner. Carla Rapoport reports

AS FAR as the Japanese government is concerned, BMW, the German car company, is tha best thing to happen to Japan in a long time. "Successful foreign firms: o look at (those) who have played the game and won," reads the headline on a glossy handout abont BMW in Japan.

But at BMW Japan'a headquarters in Tokyo, one gets a different impression, "Wa are talking here about peannts," says Lüder Paysen, managing director of BMW Japan. "Wa are not a showcase, at least not yet."

Between the Japanese hype and the German pessimism lies a story worth examining. BMW Japan has made remarkable progress in Japan to date. Even so, it has barely scratched the surface of Japan'a $15bn domestic car market (3,095,600 cars in 1984), the second largest in the world. So how has BMW got as far as it has and how much further can it go?

First, take a look at BMW in Japan versus its foreign competition. According to figures compiled last month by the Japan Automobile Importers' Association, General Motors sold 23 Cadillacs in Japan during April, Chrysler sold five cars, Jaguar of the UK managed 39 sales, Italy's Ferarri sold eight, while Volvo of Sweden unloaded 116 cars. (The Japanese bought nearly 240,000 passenger cars in April, in total.)

BMW, on the other hand, handily swept ahead of the competition with sales of nearly 1,100 cars in April. Only three other automakers figure on the Japanese scene and they are Mercedes-Benz, Audi and Volkswagen. VW, in fact, will probably outsell BMW this year, but its sales will be down on its 1980 level of 14,000. BMW bas jumped from just over 3,000 cars in 1980 to an estimated 11,000 this year.

The architect of this striking, if still very modest, success is Lüder Paysen, an apple-cheeked 45-year-old who was born in Flensburg, West Germany and bolds a degree from Hamburg University in economics. Unlike his counterparts in Japan's auto industry, Paysen had no experience of BMW or motor cars before joining the company in 1981 in Tokyo. Instead, be hrought with him seven years of experience as a specialist on setting up businesses in Japan.

As soon as Paysen arrived, BMW stopped selling through a local importer and set up its own sales subsidiary. "If you really want to approach a market on a *full-time* basis, you can't rely on a local importer. He has a short-term profit orientation and doesn't have the financial strength to take a long-term view." says Paysen.

CARS IMPORTED TO JAPAN (ON A REGISTRATION BASIS)

	1980 Registration	1980 %	1981	1982	1983	1984	1984 %	1985 (est)*
BMW	3,187	7.1	3,662	5,293	6,298	8,854	21.1	11,000
Mercedes-Benz	3,887	8.7	5,320	5,751	6,612	7,488	17.8	9,900
VW	14,002	31.2	12,047	11,793	9,664	10,238	24.4	12,000
Audi	3,803	8.5	3,243	3,283	3,563	5,372	12.8	6,600
Porsche	855	1.9	611	560	535	518	1.2	550
Other European	8,121	18.1	5,485	5,274	5,969	7,130	17.0	8,200
U.S. cars	11,016	24.6	7,742	3,562	2,645	2,382	5.7	2,300
Total imports	44,871	100.0	38,110	35,516	35,286	41,982	100.0	

* Industry estimates

Source: BMW Japan

To Paysen's competitors, thia means BMW is losing money in Japan. Paysen says this is not true. Still, be admits BMW Japan has the highest expenses of all BMW's subsidiaries, adding, "our idea is not profits, but the long-term view." He insists that the subsidiary has been in the black for two or three years, but declines to produce any figures.

"We definitely have the right prodnct. Jopan is changing. People are breaking out of their bomogenity, they want to be different and project this difference. Our car is suitable for that," he says.

Couldn't an American car fit in this niche just as well? "American companies see the *long-term* as *one* to *two* years. We see it as 10 years. Also, I think the U.S. has changed its ottitude toward the market; the Americans have given up here."

After listening to Paysen's traumas to date, however, one could almost forgive the Americans if they had decided to desert. From two branches and 30 dealer outlets in 1981, BMW now has five branches and 60 dealer outlets. Still, he is hampered by a chronic shortage of suitahle dealers and trained managers. "Our problem is not demand, but personnel and distribution," be says.

The problem is two-fold in personnel. Good Japanese managers don't want to join a foreign firm for fear that the group might not be around in 20 years; very few executives like to switch jobs in Jopan. Second, top managers from a large Japanese automaker are not always useful to BMW because most tend not to be decision-makers or achievers as individuals. "We have a small organisation bere, so we can't rely on a gronp-oriented decision making process," says Paysen.

As part of a long-term management development plan, BMW is now recruiting 10 graduates a year and sending them to Munich for training, but it is o lengthy process.

In distribution, the problems are more acute, Dealers in Japan are contracted to individual outomakers. A marketing director of Tokyo Nissan, one of Nissan's largest dealers, admitted recently that be would like to be able to sell foreign cars, but his is o public company and 25 per cent of the shares are owned by Nissan. As it is, Tokyo Nissan cannot even sell used cars from another Japanese outomaker.

BMW, as a result, has had to make dealers from scratch. One of its most successful was started by a Japanese businessman who was importing German furniture and wanted to expand. "Still, we had to train him; this is very time-consuming and expensive," says Paysen.

At the same time, Paysen had a host of other business problems to tackle, some internal, some external. On the internal side, Paysen revamped the group's pricing structure. "Our previous importer went for high profit, low volume. When we started three years ago, we dropped the price by 10 per cent." Over the past three years, BMW's 5-series prices went down by 11 per cent while the prices of Japanese cars went up.

Still, BMW's 318 is twice the price of a Toyota Soarer, a comparable luxury car. To counter this difference, BMW has set up its own consumar loan programme, which charges a purchaser a 9.5 per cent interest, against a 15 to 18 per cent interest charge from the competition.

On the external side, BMW has to cope with a difficult parallel importing situation. Japan bas a "10-at-a-time" rule, which allows anyone to import foreign goods without any inspection, as long as they are just hringing in 10 at a time. In BMW's case, these small importers bring in EEC BMWs which have not been built to conform with Japan's strict emission laws. Surprisingly, they are sold at higher prices than BMW sells in Japan.

"This is not price competition, but product competition," says Paysen. He says be has been talking to Government officials about it for three years. In the meantime, be says that these parallel importers now account for about a quarter of BMW's sales in Japan.

"I believe we can make it in this market and we will do *it ourselves,"* says Paysen. "We are not asking for special favours hut a fair break. There are non-tariff barriers, sure. Some are invisible tariffs, cultural things, like the distribution system. These are things you can overcome. It is the visible ones, like parallel importers and special regulations, which are discrimination against foreign products.

"Sometimes I have my doubts about bow successful we are. We have 0.25 per cent of the market, total imports account for less than 1.2 per cent of the market. I wouldn't say we were successful until we have 20 per cent of the imported car market. In Germany, imports are about 20 to 25 per cent of the market. In England, Japan has obout 12 per cent of the market!"

When BMW achieves its modest goals, perbaps it will then be the showcase Japan thinks it is.

Consumer electronics

In Japan's footsteps

Terry Dodsworth on the move of Korea's Samsung into the U.S.

U.S. INDUSTRY is gradually waking np to the fact that the invasion of manufacturing companies from tha Far East does not only involve the Japanese. The South Koreans and the Taiwanese are also looking at the vast American market and deciding that they need to be producing in it to make their presence felt in the world.

"The U.S. market place today is a very visible one for any manufacturer," says William Delaney, vice-president of sales and marketing at Samsung Electronics America.

Samsung is among the vanguard of the new wave of Far Eastern investors, a year or so behind Goldstar, also of South Korea, and *Sampo* of Taiwan, all electronics manufacturers. The consumer electronics divisions of the group has just invested $25m in a television and microwave oven plant situated ahout 50 miles from New York in a quiet, rural New Jersey setting. The 340-employee plant is already churning out sets at the rate of around 400,000 a year, and is aiming to hit 800,000 next, along with 400,000 microwave ovens.

For a company as little known as Samsung in the U.S., the investment represents a sizeable gamble. It is moving into an overcrowded market characterised by ruthless competition between the U.S. producers and their burgeoning Japanese rivals. According to industry figures, there were 30 different television brands fighting it out in American stores last year, and none of them bad a larger market sbare than the 19 per cent held by RCA.

Unlike many of the earlier generation of invaders from Japan, Samsung bas also plunged in before it has built a substantial market base. Outside the industry, its name is barely recognised — the bulk of its sales up to now have been in the name of large department stores such as Sears of J. C. Penney, not under its own brand; and it is launching into the U.S. at a time when competitors can be expected to fight back even more fiercely because of a dip in sales in the first six months of this year, when volume fell by about 6 per cent.

Samsung, bustling with the vitality of a very young company, does not seem in the least overawed by the potential problems. It bas a clear, long-term strategy, and it is now setting about applying it. The approach is very simple in outline — it will, it says, more or less copy the Japanese.

"The Korean people think Japanese businesses are very successful, so we are imitating them," says Yong-Suk Lee, president of the U.S. group.

Stage one of this process was to establish a toe-hold in tha U.S. and develop a visible market share. It set up a sales office to liaise with its U.S. customers in 1978 and began to carve out its own little niche at the bottom of the market, selling on the basis of price. Indeed, Samsung's colour television prices were so low last *year that it was hit by an anti*-dumping suit and for several months suffered a massive 52 per cent tariff imposed by the U.S. Commerce Department.

Samsung also borrowed from the Japanese the idea of targeting a particular market — or what American academics call the creation of comparative advantage. Tosome degree, the South Koreans bave in this respect gone even further than the Japanese, who have usually relied on the base of a large volume in their domestic market to develop their products.

Credibility

When it came to colour television, for example, Samsung forged ahead with manufactur*ing in Sonth Korea* even though it could not sell a single set in its bome market, since there was no colour television network at the time.

The company is now moving into the second stage of its U.S. strategy as it sets up a manufacturing plant and a distrihntion system which it believes will help to establish its credibility and broaden its appeal.

"The decision to huild a plant gives a very strong statement to U.S. customers that we are bere to stay," says Delaney. "We are here to manufacture, distribute and service the product—and service to the aftermarket is very important in the U.S."

The aim of impressing its presence on customers and the general public partly explains the decision to chose New Jersey as a manufocturing base. Although the western reaches of the state are by no means part of the north eastern industrial badlands, some of it is strongly unionised, and it certainly bas bigher wage rates than the less developed south, where many of the Japanese bave gone with their initial investments.

New Jersey, however, is right on the doorstep of New York, the biggest consumer electronics market in the U.S., and therefore, says Delaney, an ideal location to support the specialised national dealer network he is pntting together. In addition to the manufacturing facility, the group is putting more money into a new warehouse and computerised distribution centre much closer to the city, in the industrial belt just across the George *Washington* bridge.

"We came to New Jersey because strategically this is the market place where you can reach the consumer the most quickly," says Delaney.

The attempts to achieve more visibility through local manufacturing is also being linked to an effort to upgrade the image of the Samsung products.

Low prices may be an effective way of breaking into a market, but they do not build customer brand loyalty, and in Samsung's case, selling at least half its products in the names of the big retail chains, bave not satisfactorily created the image it wants. The answer to this dilemma, says Delaney, is to establish the company's name as a high quality producer — exactly the tactics that the Japanese companies bave applied in the U.S. as they have steadily moved their products up-market.

The emphasis on quality is evident on the production lines, where Donald Harvey, the plant manager who bas previously worked for both Yamaha, the Japanese motorcycles group, and Sampo, emphasises the sort of participative management methods which are almost standard in Japanese companies. Sets are intensively checked before they move ont of tbe huilding, employees work on a free-flow conveyor belt system which allows them to proceed at their own pace, and there are reguar communications sessions. This process is helped by an odd demographic factor in the area; about 14 per cent of the workforce is South Korean-American.

LAST MONTH, eight foreign merchant banks and consultants sent representatives to Turkey to come up with ideas that might win them contracts to advise the Government on ways to privatise more than 30 state concerns, many of them cumbersome State Economic Enterprises (SEEs).

Syrian concern about the possibility of fighting spreading to other parts of Lebanon was indicated by the long meeting in Damascus on Monday between President Hafez al Assad and Mr Hustafha Saad.

The list is something of a mixed bag. But if the hiving uff of Turkish Airlines and other government concerns were to have anything like the success of revenue sharing schemes in the Bosphurus Bridge and the Keban hydro-electric dam. Mr Turgul Ozal's teem would have every reason to be pleased.

Income-sharing certificates in the 10-year-old Bosphorus Bridge sold out withio an hour of going on sale last December, netting about TL 10hn (£16m). With certificates offering investors n return of 18 per cent over three years or 16 per cent over five, the issue was vastly oversubscribed.

The bridge brings in revenue of about TL 12bn a year. Thirty per cent uf this profit is to be distributed tu the bond hulders. The sale of certificates in the Keban dam on *the Euphrates* in January caused only marginally less excitement.

Queues formed outside the branches of the Bankasi in Ankara, Istanbul and Izmir [illegible]

It oppears that the Government's intention of dragging financial resources oul from "under the mattress" hos worked splendidly.

A similor revenue sharing scheme is planned for the $2hn Ataturk dam, also on the Euphrates. When completed – hopefully by 1990 – the dam should have six 300 Mw power units. More importantly, it will also irrigate the arid Urfa plain in the south-east of the country and is predicted to double agricultural production.

The project is the sort of stuff Turkish dreems are made uf and there should be no shortage uf demand for shares.

Regional brewers, such as Boddingtons, bave now convinced themselves that they will be trampled to nothing by the titanic struggles of Allied, Bass and Whitbread – all of whom ere churning out 40 per cent of their production in the form of after years in which it reported losses, charges too little for air fares inside the country and its internal routes need substantial reorganisatiun.

Acrording to Dr Namik Kemal Kilic, the director of Turkey's Foreign Investment Department, THY will probably try to link up with nne of the European airlines. He expects an initial study to Lazard Freres nn how best to rationalise the company's operations and the varinus *sales options* to be completed by the end of next month.

Shares in the company could be sold to the public in much the same way that British Tele-

build their own factories and to go into competition with the state monopoly for the crops of the 63,000 small farmers producing tea on the Black See coast. Foreign companies have also shown a great deal of interest in Turkey's tea industry.

Producer prices for tea are al present about TL 100 a kilo. The Tea Board sells the better quality varieties for TL 2,500 a kilo. The scope for competition is thus enormous.

While private sector involvement in the tea industry is reasonably advanced – there are no plans for creating estates out of the smallholdings – the possibilities in other areas are still being explored.

Most progress has been made in the mining, cement and textiles industries. A study of Etibank, the mining concern, is due oul at the same time as the first THY report.

Sumerbank, the textiles company, and several cement and fertiliser plants are to be next on the list, the prospects for cement being the most promising.

The proceeds of state sales are to be channelled through the Directorate of Mass Housing and Public Partnership Administraice with Tory supporters in areas such as Yorkshire, where reports of unsympathelic treatment for moderate miners are widely circulated.

Mr Roy Crossland, secretary of the working miners' committe at Manvers Colliery, South Yorkshire, estimated yes-

station in the world. It is the longest source of electricity in Turkey, producing 6bn kilowatt hours a year. Profits for 1985 are predicted to be ahnut TL 75bn.

There was some criticism that the smallest share was TL 50,000 o sum considered by many to be out of the reach of the average Turkish citizen, already hard pressed by rising prices and eroded real earnings.

Nevertheless, many citizens did purchase the shares und bankers' fears that people would liquidate their savings to buy them proved unfounded.

The NCB offered to meet the 10-member national executive of Norads at 4 pm today at its Hobart House headquarters in London. It is believed that some area directors may attend.

is regarded as one of the more difficult privatisatiun projects, has seven tobacco factories, some uf them very ancient. Fuur more are being built and these could be candidates for private sector investment.

Rothmans International of the UK, which has set up an experimental project in the east to grow Virginia tobacco as opposed to Turkey's black leaf, would ultimately be interested in one of the new factories.

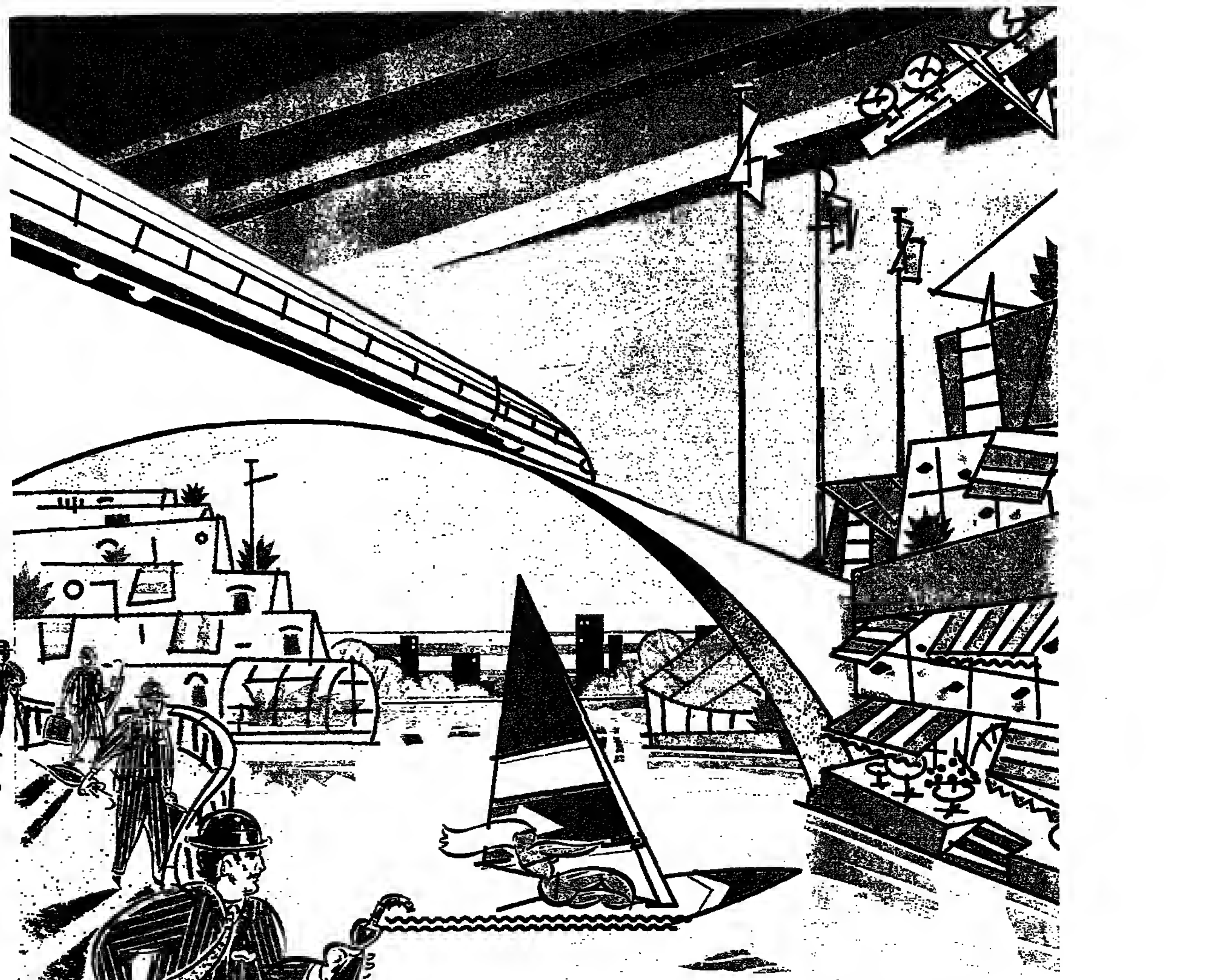
Another privatisation variant is to be found in the tea sector where private Turkish companies have been allowed to stopped when 45 deputies staged a 24-hour stoppage in protest against two of their colleagues who worked over the bank holiday weekend in contravention of the overtime ban.

have been urinated on and now he gets threatening notes on his locker practically every who worked during the strike and have faced intimidation, both at the time and subsequently.

But it is also pointed out that the issue is one for the National Coal Board, and that ministers can do no more than encourage the NCB to help moderates.

The NCB insists that intimidation of those who went back to work during the strike is dropping steadily.

It maintains that it will not give in to intimidation, has already transferred some miners who were threatened, has sacked others for violent or threatening behaviour, and that the number of requests for transfers has dropped from



New investment bank 'could finance high-risk ventures'

BY DAVID LASCELLES, BANKING CORRESPONDENT

AN OUTLINE for a national investment bank that would raise finance for British industry and fund large-scale projects of national importance has been drawn up by representatives of the City of London, Whitehall and industry.

A group working as a committee within the National Economic Development Committee (NEDC) – a tripartite body composed of government, industry and union representatives – avoids drawing any conclusions on whether such a bank is actually needed in the UK.

But the readiness of this broadly constituted body to tackle the practical aspects of setting one up should give a boost to those who have pushed for a new financial intermediary between industry, government and the City since the idea was mooted five years ago.

The NEDC committee is chaired by Sir John Baring, chairman of Baring Brothers, the merchant bank. In a report to be published shortly, it says that the case for a national investment bank along the lines of those in some continental European countries is that profitable opportunities for long-term high-risk investment cannot attract finance in the UK.

It envisages a government-backed but largely privately funded bank that would operate as far as possible on commercial terms. A starting equity base of £50m to £100m would enable it to gear up to lending of £1.25bn to £2.5bn. This could be increased through retained profits.

Under a parent company there would be two divisions, one to act as a channel for private finance for general industrial purposes, and another to finance large projects in either the public or private sectors.

With an expanded role, the institution might have two further divisions to provide financial support for industry and make specific investments at the state's request. But these would be funded directly from public sources and would not undermine the essentially private sector status of the institution.

The bank's commercial lending would be aimed at firms with no track record of innovation wishing to embark on new projects, and unsteady companies with recovery potential. It could also raise funds quickly for large infrastructure projects such as a fixed Channel link, energy pipelines, roads and rail electrification, all of which require large amounts of long-term money and might not be viable in the short term.

The bank's equity base would be provided by government and UK financial institutions, but most of its lending would be financed from the public markets through the sale of non-equity securities. To ensure that it could borrow on the finest terms, the bank would be guaranteed by government.

FT index switches to real time

BY ERIC SHORT

AS FROM today the Financial Times will calculate the FT Ordinary share index on a real time basis.

This means that during the day the index will be calculated each time the share price of any one of its 30 constituents changes.

The new service will be provided by the FT in conjunction with Extel. Calculations will be made on Extel computers with a continuous share price being fed into the computers and the new index value being transmitted to a variety of information sources.

The immediate updating of the index will be shown every minute on the Reuters screens and in the near future on the Stock Exchange Topic service. The information systems provided by Ceefax, Oracle and on Prestel Citiservice will update the index every 15 minutes on the hour, half and quarter hours. For the time being, however, the British Telecom Dial-the-FT-Index service will remain on an hourly update basis.

The FT's own office display will be initially updated regularly, with the intention, as soon as possible, to update every minute.

Mr Frank Barlow, the FT's chief executive, said: "I am delighted, at the time of the 50th anniversary of the FT index to be able to announce such a significant improvement in the service that we offer to the financial community around the world."

The FT index is calculated on the share prices of 30 leading UK companies covering a wide range of British manufacturing and service industries. It was designed to test the feel of the equity market and especially to detect changes in the market mood as reflected in the prices of the leading and most actively traded shares.

Originally, the index was calculated once a day at the close of trading. The frequency of calculation has been increased to once an hour for the past decade or so. The index started at a value of 100 on July 1, 1935 hitting an all-time low of 49.4 on June 26, 1940 and touching a peak of 1024.5 on January 22 this year. The index closed last Friday at 955.7.

New cargo facilities planned at Dover

By Andrew Fisher, Shipping Correspondent

DOVER, the world's busiest ferry port, which is likely to handle more than 14m passengers this year, plans to invest more than £20m in the next two years in new passenger and cargo facilities.

That will form part of its overall spending programme of up to £200m over the next 15 years. Even if a fixed-link project across the Channel is approved, it still sees the need for heavy investment.

Ferry operators from Dover such as Sealink, Townsend Thoresen (part of European Ferries) and Hoverspeed also plan investments, which might exceed £150m, in bigger, more modern vessels. Finnish-owned Sally Line in Ramsgate and West German-owned Olau Line in Sheerness may buy new ships later in the 1980s.

Dover Harbour Board, which last year made a £7m pre-tax profit on turnover of £25m, slightly more than in 1983, last year opened a new £8m coach passenger terminal and is building a £1.5m shopping and fast-food building for car passengers.

After reclaiming 10 acres of land at a cost of nearly £8m, including two new tug berths, it is going ahead with the reclamation of 10 more acres for a further £8m. The extra space is needed to park growing freight traffic.

The port is also negotiating with the Government and British and French railways on modernising rail freight ferry facilities.

Ferry operators planning new capacity have also said that a fixed link, if built, would still be far enough off to justify new ships. Those would be paid for by the time a link was built.

MULTINATIONALS ACCUSED OF ERODING CAR OUTPUT IN BRITAIN

Challenge to tied imports policy

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD AND General Motors reacted angrily yesterday to severe criticism of their car production policies in Britain in a report produced with financial help from BL, the state-owned vehicles group.

The report maintains that the erosion of car production in Britain has been caused mainly by the strategies of the multinational companies – Ford, GM and Peugeot, the Talbot company. "All three have increased their so-called tied imports from their European plants and have ceased exporting cars from the UK.

"GM and Peugeot have gone further by reducing their UK operations to the assembly of kits containing very few components made in the UK," says Mr Dan Jones, a leading motor industry expert and senior research fellow at the University of Sussex's Science Policy Research Unit.

"Together the multinational producers switched from being net exporters of 200,000 cars in 1973 to net importers of 350,000 cars in 1984. In addition, tied imports of components represented the equivalent in value of a further 150,000 imported cars."

Mr Jones is particularly scathing about GM, the Vauxhall-Opel group, policies of which, he suggests, are "in clear conflict with the national interest of the UK. GM is using some of its record profits in the U.S. aggressively to buy market share in Europe with the publicly stated aim of overtaking Ford outside the U.S. Because the UK is Ford's largest market in Europe, this battle has been particularly bitter here."

The report suggests: "The UK Government must send a clear signal to GM in Detroit that they are not prepared to see a unique opportunity for job creation in the UK jeopardised in this way. Clear and public understanding ought to be reached with Ford and GM to increase the proportion of their cars sold here that are built in the UK, to increase the level of local content in those cars and to reverse the drain on the UK balance of payments."

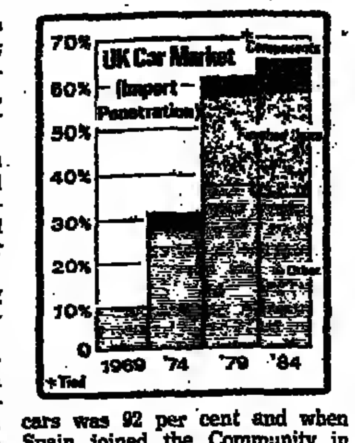
The UK Government should stop buying cars from those producers which do not fulfil their commitments, either on a local-build ratio, on domestic content or on net balance of trade.

"Having extracted promises from Nissan to reach 80 per cent local content by 1991, the UK Government is plainly not applying equal standards in relation to GM," Mr Jones says.

GM yesterday replied by saying that it employed 27,000 people directly in Britain

If GM had not integrated the operations of Vauxhall in Britain with those of Opel in continental Europe,"Vauxhall would have been in liquidation and there would have been no jobs," the group insisted.

Ford pointed out that European Community content was the only standard it was allowed to use to measure "local content" in its cars – and this was the standard which would apply to Nissan's UK operations.



By thet European measurement, at present the local content of Ford cars was 92 per cent and when Spain joined the Community in January it would go into "the upper 90s."

Ford said it had invested more than any other UK-based car group and reduced its workforce less than any nther. The only reason it did not sell more British-made cars was that UK factories had been unable to match those on the European continent in terms of productivity.

Jaguar makes profit in West Germany

BY OUR MOTOR INDUSTRY CORRESPONDENT

JAGUAR DEUTSCHLAND, the joinly owned company with which the UK luxury car producer is making a strategic thrust into West Germany, was profitable in its first full year of trading.

It made a net profit of DM 1.6m (£401,000) on a turnover of DM 107m in 1984 and will do better this year, according to Mr John Edwards, finance director of Jaguar.

The UK company owns 35 per cent of Jaguar Deutschland, which was set up with a capital of DM 6m (£1.5m) when Jaguar split its West German import operations from those of its former sister company within BL, Austin Rover.

Emil Frey, the Swiss vehicle distribution group, has majority control and is responsible for the management of the new German company. It has set up an import centre and headquarters with 65 employees at Kronberg, near Frankfurt.

Today, a car retail outlet attached to the headquarters building will be formally opened. Dressed in Jaguar's familiar racing-green colour, the showroom stands alongside a busy main road in one of the most affluent areas in West Germany.

Jaguar confidently predicts that the new outlet will sell 50 cars during the rest of this year, making it one of the most successful Jaguar showrooms in West Germany.

So far Jaguar's penetration of the West Germany luxury car market – the second-largest in the world after the U.S. – has been limited. But the company intends to do much better in the domestic market of its main rivals: Daimler-Benz (the Mercedes group), BMW and Porsche.

Sales of Jaguar in West Germany in 1982 were only 845 in a luxury sector of about 60,000 a year. Last year Jaguar Deutschland raised sales to 1,938 and expects to reach 2,500 in 1985. By 1990, the company aims to take 10 per cent of the West German luxury car businesa and reach 5,000 to 6,000 registrations a year.

● Austin Rover expects to raise export sales to its seven main continental markets by at least 10 per cent this year to 88,000. The volume car division of BL made a poor start to the year with exports to Europe down by 29 per cent in the first quarter, but sales picked up sharply in the three months to June, giving a half-yearly performance only 8 per cent down at 39,986.

Defence chiefs alarmed at loss of skilled personnel to industry

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

BRITAIN'S defence chiefs are worried that the squeeze on the defence budget will lower morale and reduce efficiency in the three armed services.

The heads of the Army, Navy and Royal Air Force (RAF) are expected to show their concern when they meet Mrs Margaret Thatcher, Prime Minister today.

Service chiefs were promised continued access to the Prime Minister a year ago as compensation for accepting reduced powers under the reorganisation of the Ministry of Defence by Mr Michael Heseltine, the Defence Secretary.

Sir John Stanier, Chief of the General Staff, and Sir Keith Richardson, Chief of the Air Staff, both of whom retire before the end of the year, and Sir John Fieldhouse, First Lord of the Admiralty (who is to become the new Chief of Defence Staff), are alarmed at the effect of the Government's defence plans on service manpower.

They fear that over the next three to four years, increasing numbers of men will leave the services for more attractive employment conditions in industry. The army and RAF are already losing skilled personnel both at the level of middle-ranking officers and of the skilled ranks.

Offers from industry of three times service salaries are said to be commonplace. It is understood, for example, that in the last six months just under 50 colonels have retired to industry from the British army in Germany compared to under 30 in the whole of last year.

For men in the ranks, conditions are said not to have improved as much as the recent 7.5 per cent pay increase would suggest, since the rise has been partly offset by increases in rents, food and other items and, for those serving abroad, by a decrease in the local overseas allowance.

The service chiefs believe that they have gone as far as they can to move men from support areas to the front line, as is happening under the recently announced "Lean Look" plan, which aims to switch 4,000 army personnel from the "tail" of the army to its "teeth" over the next two to three years.

At least one of the chiefs, recognising that the Government is highly unlikely to spend more on defence, believes that some form of conscription might be the answer.

The chiefs accept that the services have been well treated over the last seven years when there had been a cumulative real increase of some 15 per cent in defence spending. But they fear that what one describes as the seven fat years will now be followed by seven lean ones, as the Government plans for what it calls level funding of the defence budget, which is at present just over £18bn a year. The House of Commons defence committee in a recent report estimated that level funding might result in an actual decline in the budget of 6 per cent in real terms.

Service chiefs point out that the increasing bills for pay and pensions and the continually rising costs of equipment have resulted in smaller numbers of men in each force than is "practicable for the tasks they are expected to perform."

Workers will fight closure in Sheffield

By Helen Hague, Labour Staff

WORKERS AT British Steel Corporation's (BSC) Tinsley Park works in Sheffield have voted to continue to oppose plans to close the special steels plant.

The vote – recorded in a secret ballot conducted by Sheffield Industrial Mission – overturned a previous "show of hands" decision to accept closure.

It revealed that 940 of the 1,100-strong workforce voted – with 493 opposing the closure plan. Mr Geoff Stronach, secretary of the works multi-union committee, which has led the fight against closure, said he was elated by the new mandate to continue the survival battle. The committee meets today to decide the next step.

Mr Stronach, said: "This gives us a free mandate. We are very pleased. 1 was surprised that the majority was so small."

The main steel union, the Iron and Steel Trades Confederation, has already instructed members at other plants in BBC's special steels division not to accept increased shifts or extra orders resulting from the rundown or closure of Tinsley Park.

BSC management has told the unions it plans to shut one of Tinsley Park'a two furnaces and transfer men and orders to other South Yorkshire special steel plants after the annual works shutdown in August.

Mr John Pennington, BSC's special steels managing director, said the ballot decision would, regrettably, not alter the corporation's plans to shut Tinsley Park – adding that it would be wrong to raise hopes that the shutdown would not take place.

Steel users back case for cutting capacity

By Ian Rodger

BRITAIN'S STEEL users have come to the support of British Steel Corporation in its controversial desire to close one of its three wide strip mills.

The British Iron and Steel Consumers Council (BRISCC), which represents most of the country's big steel users, such as BL, Metal Box and TI, says that Britain cannot afford to have an inefficient steel industry at a time when other steel makers are making heavy capacity cuts.

"Tn deny BSC the opportunity to make similar, necessary capacity reductions would put it under pressure to charge higher prices than its competitors," BRISCC says in a memorandum submitted to the Government this week.

"It would not only be BSC and the job security of its employees which would be affected. The steel-using industries' competitiveness and ability to offer jobs would also be damaged."

The BRISCC memorandum follows the reopening of local public campaigns last month to preserve the strip mills, which are located at Port Talbot and Llanwern in south Wales and Motherwell in Scotland. A government undertaking in 1982 to keep the three open expires at the end of this yar.

Last week, the House of Commons trade and industry committee joined those urging the Government to renew its undertaking.

The committee said that market controls on the European steel market would be removed at the end of this year. Then BSC, which has become a much more competitive supplier, would be able to increase its sales in Europe significantly.

Mr John Safford, director-general of BRISCC, poured scorn on that view. "It is difficult to see what evidence the committee had for saying that the European market would be free next year," he said.

"Anyone who is remotely in touch with the European scene knows there is no chance of that happening. And it is a delusion to imagine that BSC can step up exports to any substantial extent."

BRISCC points out in its memorandum that UK steel consumption has declined by 25 per cent since 1979. "Even on the most optimistic assumptions – which are unlikely to be realised given the Government's policy towards infrastructure investment – we do not see it rising above current levels in the medium term.

"The scope for BSC to regain market share from imports or by increasing exports is limited. Continental producers are unlikely to tolerate any substantial erosion of their traditional markets without taking retaliatory action."

BRISCC points out that BSC's theoretical capacity is still over 20m tonnes, while UK consumption is likely to be around 12m tonnes this year. It recalls BSC's disclosure that the retention of excess strip mill capacity adds about £90m to its costs. "This is equivalent to £25 per tonne of strip mill products, or nearly 10 per cent of average selling prices."

BRISCC says the precise closure decision is a matter of commercial judgement for BSC, although it claims that the performance of the Ravenscraig mill in Scotland is still not as good as the other two. It says Llanwern is the preferred source of supply of certain products for a number of users and Port Talbot has the best long-term potential because of its coastal location.

TECHNOLOGY

EDITED BY ALAN CANE

The world's armies home in on infra-red pictures

THE DEVELOPMENT of infrared radiation (heat) detection systems is being driven forward by massive interest from the world's armed forces anxious to use systems based on these detectors for everything from turning night into day fnr *helicopter* pilots to guiding missiles to their targets with pinpoint accuracy.

There are, tn be sure, commercial and scientific apinnffs like the Atmos measurements of the upper atmosphere (see right) and the possibilty of cheap night vision for passenger cars (see below) together with early detection of breast cancer and other ailments, but it *is the potential* of these techniques to boost military power that is really attracting the research dollars.

"You can hit a target anywhere in the wnrld with this system," say Mr William McCracken of Honeywell's electro optics division in Lexington, Massachusetts, talking about a combination of an infrared imaging system with the most sophisticated navigation system yet developed.

The navigation system is based on a "ring laser gyroscope" which can detect minute changes in the speed and direction of travel of an aeroplane or missile. *Despite its reputation as the mnst accurate navigational* instrument known, it can be nff beam by as much as nne nautical mile fnr every hour nf flight time.

Pinpoint accuracy can be achieved by storing an infrared picture nf the target in the computer memory nf the aernplane nr missile. Onboard infrared detectnrs peer through rain, fng, ground mist nr camnflage tn "see" the ground. When the grnund image coincides with the stored image, the missile's guidance systems lock on tn the target and guide it hnme with perfect accuracy.

Other military applications for infrared detectors include the detectinn of jet engine or missile exhausts, buried steam pipes, day nr night covert surveillance, three dimensional imaging and the detection nf chemical weapons on the battlefield.

This is why companies like Texas Instruments, Hughes Aircraft, Hnneywell and Martin Marietta in the U.S. and Mullard, GEC Marconi, Ferranti, Zeiss and Telefunken in Eurnpe are putting renewed efforts into infrared research and development, with the military as their number one customer.

Day when cars will have night vision

IMAGINE driving at midnight along *unfamiliar* roads on a filthy November evening. Rain lashing across the screen, visibility virtually zero despite the *full* beam of quartz *halogen* driving lights. The kind of night when every manoeuvre is a calculated risk.

Then imagine a small television-like screen mounted on the dashboard which, at the press of a switch, gives a clear, detailed image of the road ahead.

For the foreseeable future, alas, such a device will have to remain wishful thinking—at least *for* ordinary cars.

But night vision devices of this kind are expected on small military vehicles within four nr five years.

The key is a way of bringing *down the cost of the infra-red* detectors used to build up the image. At $100,000 or so each, infra-red night imaging systems are *cost effective* on main battle tanks and other military hardware of equivalent value but can hardly be justified on jeeps or personnel carriers.

New research at Honeywell and Texas Instruments suggests that the cost could be brought *down to $10,000* or so in *a few* years.

The secret is what is called "uncooled thermal imaging." Conventionally, infra-red detectors "see" heat energy emitted from people and objects. Poor weather and lack of light are no barrier to this process of detection.

Infra-red imaging systems make it possible, for example, to see objects hidden behind opaque screens—the level of fuel in a petrol tanker, for example, or a human camouflaged in woods.

They can even "see" back into time — recording for example, the "ghosts" of aeroplanes on a runway or cars on a street long after the planes or cars have gone.

Infra-red imaging is expensive, however, because the detectors work best when cooled to a temperature close to absolute zero to eliminate heat "noise"—in practice 77 degrees C, the temperature at which *liquid nitrogen boils is used.*

The equipment needed to cool the detector material — mercury cadmium telluride—to this temperature and to keep it there while the detector is in operation is expensive.

Honeywell is working on materials like lithium tantalate, a so-called pyroelectric material which generates an electric current in response to changes in heat energy.

These detectors do not give as yet the high resolution obtained with systems based on mercury cadmium telluride, but they promise to be ideal where reliability and low cost are mnre important.

No more shots in the dark for today's soldier

THE TECHNIQUES developed to *fabricate* very large scale integrated silicon chips are being used to make infra-red detectors of unparalleled resolution and reliability.

Conventional forward looking infra-red (FLIR) detectors used today for night vision systems *in* tanks, helicopters and aeroplanes depend on mechanical scanning.

The image of the real world is scanned, a line at a time, across a linear array of detectors, and the image built up by sophisticated, high speed electronics.

The trend, however, is towards what are called "staring sensors," large arrays of detector elements just like a silicon chip in the focal plane of the detector system.

The ideal in such a system is to build in a separate detectnr for each picture element ot "pixel." The weight, power and size penalties nf today's scanning systems would be eliminated.

There are significant problems—how, fnr example, are the electrical leads attached to such a large array of tiny sensor elements. One answer is surface mounting, minute bumps of conductnr between chip and substrate.

Then there is the problem of cooling the matrix of detectnr elements uniformly and achieving a uniform response from the sensor. How can these be achieved? "With difficulty," admits Mr McCracken of Honeywell.

But the trend to smaller systems of less weight and using less power with more detectors is being driven hard by military requirements.

Mr McCracken sees a number of distinct trends in modern warfare including round-the-clock combat in all climates and weather conditions, greater use of robots and automation, increased firepower, shorter times to make decision and responses and increased vulnerability of high value targets.

In short, increased nastiness all round. "Infra-red systems can and will pay a decisive role in all of these trends," Mr McCracken says.

REPORTS BY ALAN CANE

Unlocking secrets of the upper atmosphere

SCIENTISTS AT the Jet Propulsion Laboratory in Pasadena, California, are sifting through some 10^{11} (100bn) bits of information transmitted from the upper atmosphere after the most recent flight of the space shuttle.

Dr Barney Farmer, chief investigator, said that he and his colleagues were still checking their results but it seemed likely that there would bave to be some fundamental rethinking on the behaviour of the upper atmosphere.

The plethora of experimental data which Dr Farmer and bis *colleagues are raking through* with such enthusiasm were obtained in four days of intensive observatioos from the shuttle using one of the *most* advanced space instruments ever built.

Called Atmos (Atmospheric Trace Molecular Spectroscopy Experiment), it is a modified Miebelson interferometer, a device which measures and records infra-red (chiefly beat) radiation, to detect chemicals in its path.

A bulky machine, one metre square and weighing around 250 kg, it took the development of the shuttle to enable it to be lifted into Earth orbit to make its measurements. Conventional satellites were not big enough.

Why should an understanding of the composition of the atmosphere 100 kilometres up from the earth's surface warrant the development of such an instrument nver five years and at a cost of $10m for the hardware alone?

One reason is the controversy over the role of freons (the propellant in many aerosol sprays) in depleting the upper atmosphere of ozone and so allowing through a greater proportion of harmful rays from the sun.

It is believed that the atmosphere can be affected by such industrial chemicals as well as changes in the pattern of agriculture—especially deforestation—and high level aircraft flight.

The purpose of Atmos is to find out to what extent the atmosphere is being influenced by such changes. It makes its measurements at altitudes higher than sounding balloons, and it makes global samplings as it moves through its prescribed orbit. It is certainly *sensitive* enough to pick up even the most minor constituents. The detector is poioted at the sun; chemicals lying in the line of sight between Atmos and the sun are detected with staggering accuracy.

According to Dr Paul Morse of the Honeywell Electro-Optics Division in Wilmington, Massachusetts, which designed and built the Atmos interferometer, it is sensitive to one part in a trillion (10^{12}). To describe that level of sensitivity, Dr Morse explained that it was equivalent to detecting a single dollar *bill* in a *stack* of notes *79,000* miles high.

Atmos' first flight—it has a design life of 10 rides in the *shuttle*—was *virtually* a complete success, recording more than the sum total of all the sampling of the upper atmo*sphere taken to date. The only shadow* over the entire experiment was the need to compress all the flight measurements into four days because of mechanical failure in the housing around the laser which forms an integral part of the stabilising system.

The housing had been pressurised to prevent electrical "arcing" which could cause the laser to fail. A leak developed and the pressure gradually fell, *eventually leading to arcing* and the death of the laser—but not before all the critical measurements had been made.

According to NASA, the remaining flights of Atmos will:

- Make possible observations of previously unexplored regions of the atmosphere.
- Provide a reference for atmospheric scientists in the future.
- Allow scientists to combine interferometer measurements from balloons and rockets with the Atmos data to make critical tests of the theoretical models used to describe the physics and chemistry of the stratosphere.
- Provide a firmer basis for national and international policies to protect the atmosphere.
- Provide a continuous monitor of changes in the atmosphere *through the coming* decade.

Translating by machine

MACHINE TRANSLATION (MT) is being successfully used in a number of international organisations and will probably soon be cost effective for smaller companies, provided its limitations are clearly understood.

It is useful for translating technical manuals and documentation, but it is no good for legal text or marketing literature.

In most cases it does not replace human translators, it merely increases their output. MT is not necessarily fully automatic, linguists are required to help the computer and MT is always imperfect.

Most people think of it as a program which consumes one language and spews out another. Unfortunately, it is not that easy.

Depending on the type of program used there are up to three phases where the human translator intervenes.

- Before translation, the text is checked for easily detected difficulties, such as words missing from the vocabulary stored in the computer. In some cases, the translator has to specify dictionaries to use for the translation, to ensure that the computer only considers words which are relevant to the subject. It can be a help to enforce strict vocabulary and writing rules. This does not have to go as far as Xerox's "multinational customised English," but standardisation and consistent use of technical terms will help the machine. Human translators can cope with badly-written text. Computers cannot.
- During translation, the translator is asked to resolve syntactic and semantic ambiguities. This applies in particular to the interactive ALPS translating software.
- Once the machine has produced a draft translation of the text, a linguist corrects the machine's mistakes. Although difficult to measure, current programs achieve 70 to 90 per cent accuracy.

Electronic key for car parks

A DEVICE that automatically opens the gate to private car parks is available from Software Control of Stockport.

The gate opens only when activated by special inductive band transmitters placed on each authorised vehicle. As a car approaches the park, the barrier is raised automatically, without the driver having to stop to insert a *card or push a button.*

The gate closes as soon as the vehicle has entered the park. A manual override switch can be placed inside a building to admit visitors.

The system can be used for embassy security gates or military areas. The cost for an average car park is about £3,000.

Plasma flame coating

ANY MATERIAL with a well defined melting point can be applied as a surface coating using a new design of plasma flame gun developed by Metco.

That means most metals and many ceramics and carbides. When these materials are injected into the plasma "flame" they are instantly heated and projected as a spray onto the surface to form a coating.

Computer-aided study techniques were used in the development of the new gun, the Metco Type 9MB. The study examined the design of critical gun components subject to the very high temperature conditions of a thermal plasma. Higher power can be maintained for extended periods using the new gun giving high deposit rates with low maintenance.

The benefit of high-energy plasma spraying comes from the high gas exit velocities producing a dense coating structure.

INTERNATIONAL APPOINTMENTS

Du Pont International succession

By John Wicks in Zurich

MR ROBERT V. D. LUFT has been named to succeed Mr W. Robert Clay as chairman of Du Pont de Nemours International. The Geneva-based company is responsable for sales in Europe, the Middle East and Africa of the American chemicals concern E. I. Du Pont de Nemours.

The new chairman, who is 49, served in Geneva as deputy chairman and group director for Europe, the Middle East and Africa from October 1978 to April 1982. He has since been general manager and subsequently vice-president of the information systems department at company headquarters in Wilmington, Delaware.

Mr Clay, who has headed Du Pont Internstional since the start of 1983, assumes responsibility for group activities in Latin America and the Far East.

At the same time, he has become chairman of the supervisory board of Du Pont de Nemours (Deutschland), of Dusseldorf, a separate subsidiary in charge of the group's German business.

Dr Honegger takes over at Swiss Life

By Our Zurich Correspondent

DR FRITZ HONEGGER, e former Swiss Minister for Economic Affairs, has succeeded Dr Rudolf Meier as chairman of Swiss Life Insurance and Pension Company (Rentenanstalt), of Zurich. Dr Honegger hed acted as vice-chairman of the Swiss Life board before his election to the Cabinet.

Dr Meier, who has retired, has been named honorary chairman of the company, Switzerland's leading life assurance group.

BNZ of the U.S.

THE BANK of New Zealand has appointed Mr Robert J. F. Hirten manager, New York, and executive vice president U.S. He will have responsibility for the bank's strategic development and overall nperations in the U.S. Mr Hirten leaves Morgan Guaranty Trust Company, New York, after 34 years service, having been a vice president with responsibilities for Morgan's business in Australia and New Zealand.

Football star at U.S. Tobacco

BY TERRY BYLAND IN NEW YORK

THE APPOINTMENT of Mr Nicholas Buoniconti, a former American football star, as president and chief operating officer of U.S. Tobacco spotlight's determination of the industry to defend its public image. The company, which has quadrupled profits over the past decade, focuses on "smokeless" tobaccos, chiefly the new moist pouch products which heve evoided the Federal ban on television edvertising and are currently the nnly growth sector of the tobacco market. He succeeds Mr Louis F. Bantler, who continues as chairman and chief executive.

Mr Buoniconti, attorney end member of the bars of Massachusetts and Florida, first entered the tohscco indnstry as sports consultant to U.S. Tobacco in 1970, joining the board in 1978 and becoming executive vice president for corporate relations in 1984.

He is also co-host of e top-rated sports cable television programme. During his career in U.S. professional football, be starred in the Miemi Dolphins as a memher of the Snper Bowl cbampionship teams in the early seventies.

Chewing tobacco has a long association with sports players, and Mr Buoniconti has helped shape U.S. Tobacco's image with advertising campaigns involving sports stars and events. Around 22m Americans chew tobacco in moist pouches, eerning themselves the soubriquet of "dippers."

Chewing tobaccos snd snuff have escaped the Federal restrictions on edvertising and lehelling of otber tnbacco products, but the Federal Trade Commission has recently ordered the Surgeon General to study the health implications of smokeless tobacco.

Williams takes chair at Warner Lambert

BY OUR FINANCIAL STAFF

WARNER-LAMBERT Company, the U.S. health care and consumer prodncts group, has snnounced the election of Mr Joseph D. Williams as chairman, in succession to Mr Ward S. Hagan, who is retiring, with immediate effect.

Mr Williams continues as chief executive, a joh he took up in January, but hands over his roles as president and chief operating officer to Mr Melvin R. Goodes. The post of president of the group's U.S. operations, formerly held by Mr Goodes, is, for the time being, at least, left npen.

* * *

AMERICAN MEDICAL International, the California-based health care group, has announced that Mr Walter L. Weisman will succeed Mr Royce Diener as chief executive, with effect from August 31. Mr R. Bruce Andrews will take over from Mr Weisman as chief operating officer.

Mr Diener will, however, remain chairman of the board and of the executive committee and Mr Weisman president. Mr Diener says that his stepping down fulfills an intention to do so after ten years' service

* * *

AMERICAN TOBACCO Company has named Mr Virginius B. Lougee, chairman and chief executive, and Mr Thomas C. Hays president and chief operating officer. The company is a division of American Brands. Both positions are newly created.

Mr Lougee, 59, continues as president and chief operating officer of American Brands, a post he has held since 1981. He has also served since 1981 as president and chief executive officer of American Tobacco.

American Brands' main businesses are packaged consumer goods and financial services. Major goods hrands include Carlton, Lucky Strike, Pall Mall and Tareyton cigarettes, as well as Jim Beam bourbon, and a variety of other products; while financial services comprise the operations of Franklin Life and Southland Life; and, in addition, American Brands owns Pinkerton's and a group of office products companies, including Swingline and Wilson Jones, together with Gallaher of the UK, which is involved in tobacco, houseware and office products, optics and other lines.

* * *

CELANESE CORPORATION has elected Mr Howard C. Kauffmann es a board member. Mr Kauffmann, formerly president of Exxon Corporation, retired on May 16, after 39 years with Exxon.

* * *

NIPPON KOKAN, the Japanese steelmaker and shipbuilder, has announced that Mr Yoshinari Yamashiro, executive vice-president, is to succeed Mr Minorn Kanao as president and chief executive.

Mr Minoru Kanao, who has heen president since 1980, will become chairman, while Mr Hisao Makita, the current chairman, becomes an executive advisor.

* * *

NICHIMEN, the Japanese trading house, has appointed Mr S. Uyeda chairman. Mr T. Hibino succeeds Mr Uyeda as president.

Moody expands Security Pacific duties

By Our Financial Staff

SECURITY PACIFIC Corporation has named two executives to additional posts, and has appointed an outside director.

The Los Angeles-based bank holding company's president, Mr George F. Moody, has assumed edditional duties in the new post of chief executive of the Security Pacific National Bank unit, the corporation's largest subsidiary.

The parent's corporate vice-chairman, Mr Robert H. Smith, hes become chief operating officer nf the unit, vice-chairman of the parent's board and a director of both the parent and the bank. He succeeds Mr Moody as chief operating officer of the bank. The vice-chairman post is new.

Mr Henry T. Segerstron has been elected to both boards. Mr Segerstron is managing partner of C. J. Segerstron and Sons, a real estate partnership in Costa Nesa, California.

Schaad ahead at Handelsbank

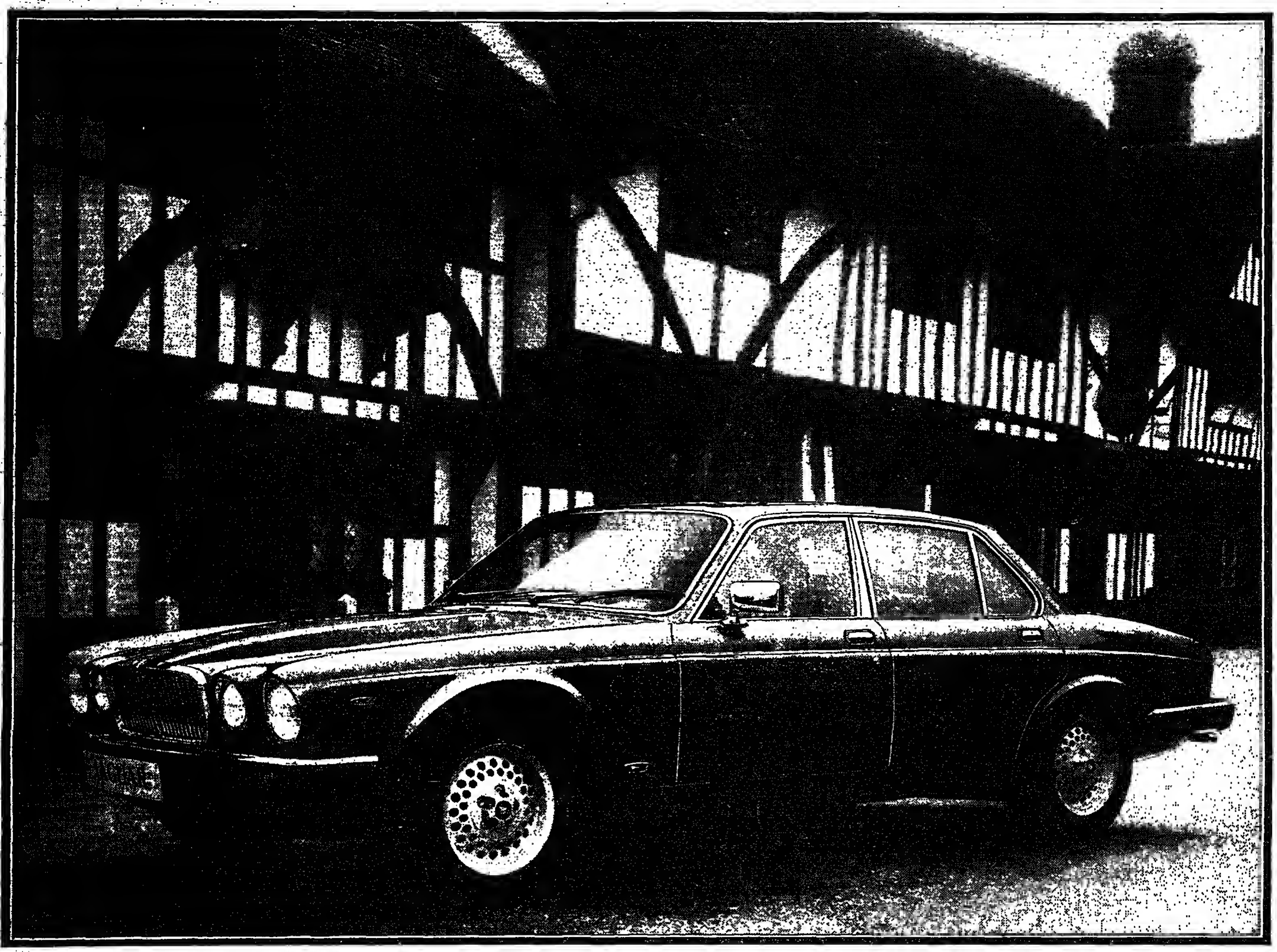
By Our Zurich Correspondent

DR ERNST I. SCHAAD, bead of the management committee of the Zurich-based Handelsbank N.W., the subsidisry of the National Westminster Bank of the UK, has been designated the bank's next board chairman.

At next year's annual meeting, Dr Schaad will be nominsted for membership of the board of directors, and on being accepted would immediately take over the chair, as successor to Dr Alfred E. Suser, who is to retire.

"THERE ARE THREE ESSENTIAL QUALITIES THAT MAKE A JAGUAR A JAGUAR."

Neil Johnson, Director Sales and Marketing, Jaguar Cars Limited.



"Sir William Lyons built the legend of Jaguar on what might well be called three pillars of marketing wisdom.

The first was engineering excellence, the second, style with sporting elegance, and the third, value for money.

As qualities essential to what makes a Jaguar a Jaguar, they are as valid today as they were in 1935.

In fact, they very neatly sum up our current marketing philosophy of ensuring quality and value wherever Jaguar is concerned.

Not unnaturally, this single-minded policy has made a great contribution to Jaguar's success.

It has been applied right across the board and involves everybody connected with Jaguar cars.

From those who design, build and quality assure the cars, through to the people who sell and maintain them.

It can be seen from the fact that we are insisting on specialist dealers, dedicated to nothing else but the Jaguar marque.

We measure and develop their professionalism across all aspects of their business. From showroom, to used car display. From service department, to parts store.

We think that it's the only way of ensuring that our customers get the same excellence in the attention from their Jaguar dealer as they do from a Jaguar itself.

Our determined drive towards assuring quality in all aspects of our business is also reflected in worldwide demand for Jaguar cars.

A demand that encompasses the entire range, from the Jaguar XJ6 3.4 Saloon, to the Jaguar XJ-S H.E.

One consequence of significant importance to our customers is that our success is now being reflected in higher residual values for all used Jaguar cars.

Our prime responsibility is to ensure that the success of Jaguar continues unabated.

We must make sure that any Jaguar customer, anywhere in the world, takes delivery of a car that meets his every expectation.

So that, from the very first moment he begins to relax in the quiet ambience of figured wood and leather, he begins anew to appreciate Jaguar's engineering excellence, style, sporting elegance and value for money.

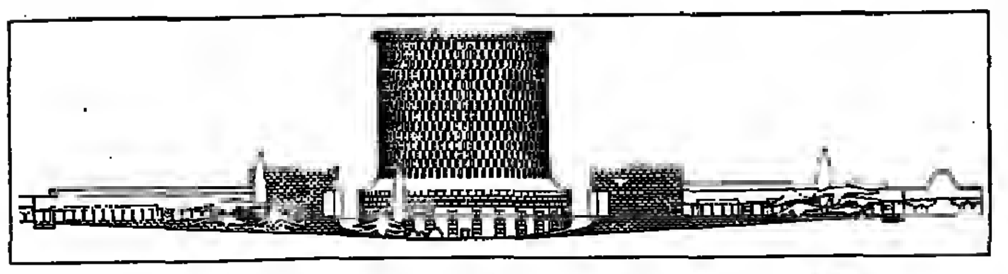
After all, it makes commercial sense to take heed of the wishes of customers, and the experience of the company's legendary founder."

JAGUAR The legend grows

JAGUAR CARS LIMITED, ENGLAND.

Architecture/Colin Amery

Stirling boost for the City



James Stirling's project for a research centre for Bayer AG Monheim —a competition drawing

It is an interesting engagement; will it be a fruitful and harmonious marriage? When Mr Peter Palumbo proposed to Mr James Stirling last week and offered him the Mansion House Square site as his dowry, it looked initially like an unlikely match. Mr Palumbo had let the world know his cool and austere tastes—Mies van der Rohe remains his first love—but the cold truth has to be faced and, although first loves are often the strongest passions, we are likely to find that reality intervenes and they have to be put aside.

But Mr Palumbo has not gone for the easy option. In selecting James Stirling he has opted for one of the most interesting British architects, and one who has had little experience of commercial building.

What is it that makes Stirling and his partner, Michael Wilford, *such interesting* architects? Part of the answer is to be found in a timely new book, *James Stirling Buildings and Projects* (The Architectural Press, London, £37.50), with an intriguing introduction by Colin Rowe. The other part of the answer is to be found in their buildings — and most of the good ones are outside England . . . so far.

The book is essential reading for anyone interested in contemporary architecture. The somewhat rambling introduction — written by the exiled guru Rowe, who has lurked in Cornell observing the English scene from a safe distance — is almost a perfect period piece. It is at the same time a perceptive account of a man who has always been rather quiet, not over-anxious to theorise, and who has suffered long periods of comparative neglect and sometimes unjustified abuse.

Stirling grew out of Glasgow and Liverpool. I recall him showing with pride the engineer drawings of a ship that had influenced him as a child.

If there is any truth in the formative nature of our earliest visual impressions, then for Stirling we have to look at the Neo-Classical St George's Hall, the town hall and the Customs House, and the general mixture of Liverpool's scale and sense of drama. Rowe is good on all *this* — —even bringing in the presense in wartime of a refugee Polish architectural school in Liverpool and the lasting influence of Sir Charles Reilly, the great *Beaux Arts* professor.

The book takes us from the neo-Corbusian student thesis the expandable houses (with James Gowan), the bad and ruthless patches like Queen's College, Oxford's Florey Building and the Runcorn housing to the calm, measured and brilliant series of international compentitions — particularly the German museums.

There is no doubt in my mind that the best thing he has done to date is the Staatsgalerie in Stuttgart, despite its coarse jokes. His new wing — the Clore Building for the Tate Gallery — promises to have beautiful gallery space formally planned and sensitively, if in a *somewhat complicated* way, lit.

There is no point in glossing over the fact that Stirling's buildings have sometimes had their technical problems; his detailing must sometimes be at fault. When he is served by the best contractors and clients —as at Stuttgart—his record on this front is as good as most contemporary architects.

What this book shows—and a visit to the Fogg Museum at Harvard or the Tate Gallery (completion next year) and particularly Stuttgart — is that Stirling is one of the few architects addressing the particularly potent problem of our time: the search for an alliance between the past and the future and the development of a new architecture language.

His major works can be read on many levels. I have read of Stuttgart as a reinterpretation of the Italian Renaissance Villa, or heard it described more perceptively as a search for the meaning of modern art. It is no accident that there are staircases that lead nowhere. . . .

I see him as one of the few English architects with a clear understanding of the ideas of the Picturesque. He now needs, for his City site, to develop and build in three dimensions the parellel English understanding of the townscape. Since Nash, we haven't seen these two possibilties combined in one English architect. Lutyens, in the end, was a *formal architect, aiming* at, and finally achieving, a piece in the authentic Classical canon. The Palumbo opportunity is a difficult assignment — the triangular site with some listed buildings calls for subtlety, stone and strength. Stirling is probably the only architect who can pull it off for the City.

There may not be a place in the City for the kind of positive grandeur that appears in the competition scheme that illustrates this article. It is the Bayer AG research centre competition project—a towering *U-shape of offices surrounded by* radiating research laboratories. This sort of scheme has the weight and intelligence that has for so long been lacking in contemporary architecture.

England, and London in particular, is fortunate to have had *two* second chances for vitally important sites: the munificent Sainsbury gift to enable the National Gallery to have a great building, and the bold second choice for Mr Palumbo. For once a developer has rigorously demonstrated his addiction to quality—I hope he will be just as pleased as he would have been to have the Mies tower. He might even, secretly, like some critics, be much happier.

The Duchess of Malfi/Lyttelton

Michael Coveney

It is a neat irony that the National Theatre group under the leadership of Ian McKellen and Edward Petherbridge, "the actors' company," should have elected Philip Prowse, the most rigorously distinctive director/designer in Britain, to take charge of their opening effort. The result is a truly magnificent presentation of one of the greatest plays in the language with only minor cuts and several *brilliant inventions.*

Discussion of any Prowse production will begin with the set. This is an assemblage of grey walls with reversible panels that slide on castors to suggest now a baroque mausoleum, now a ruined classical castle. Crucifixes stand encased on pedestals, a black garbed figure of Death sits at a table studying scientific instruments. The cast are seen crossing the stage in a dead march, the first of several striking processional images as Ian McKellen's Bosola, newly returned from the galleys, seeks favour of the Cardinal.

The air is heavy with the cawing of crows and vultures, the pealing of bells. Magnificently attired courtiers (Prowse has no equal in Britain as a costume designer) form conspiratorial knots in spacious alcoves and gather for Mass; their Catholic "Adoremus" is hideously distorted by the disgorged madmen when Ferdinand lays brutal siege to his Duchess sister. Ten years ago Prowse's Glasgow Citizens production incarcerated the Duchess in a baroque tabernacle. Now the whole design is a tribute to an aberrant Renaissance court, peculiar in itself, spinning free from all semblance of reality and decency.

The performances support the design vision and Webster's language, neither dwarfed by the one nor intimidated by the other. McKellen's Bosola is a half-shaven hired intelligencer whose blank participation in the destruction of others is as frightening as any of the hallucinatory incidents. Struck dumb by the Duchess's salmon and dogfish speech, he warms to his prey and is finally broken by the relentless horrors.

That speech is delivered by a glowingly transfigured Eleanor Bron, surprise casting as the Duchess but fully justified. She and Greg Hicks (a splendid Antonio, rescued from dry old stick tradition) invest the proposal and marriage scene with an exciting impulse and rhythmic judder that echoes down the evening.

The Lyttelton's vengeful acoustical tricks were unkind on Edward Petherbridge's serpentine Cardinal but this is a strikingly elegant portrayal, white-faced and *thin-lipped,* almost clownish in gesture and finesse. Sheila Hancock is unrecognisable as his mistress, but her raddled and well considered cameo is typical of the show's intelligence and surprise; there goes good old Roy Kinnear as a puffing Castruchio, Hugh Lloyd edging in as Grisolan.

The Glasgow connection is honoured in the appearance of Laurance Rudic as the ever-present hooded Death, leading the deceased Duchess through the ruined abbey after helping her into her coffin; and in Jonathan Hyde's *consistently* lycanthropic Ferdinand (he was Prowse's Cardinal before), a creature whose disintegration is on the cards from his first entrance.

The banishment from Ancona is signalled by the Cardinal slapping his sister on the face and the walls revolving. The Loretto pilgrims are in fact the blinded beggars from the asylum, trudging across the stage joined on a rope and later striking poignant attitudes of madness in the benighted palace where the doors do really swing on strange geometrical hinges.

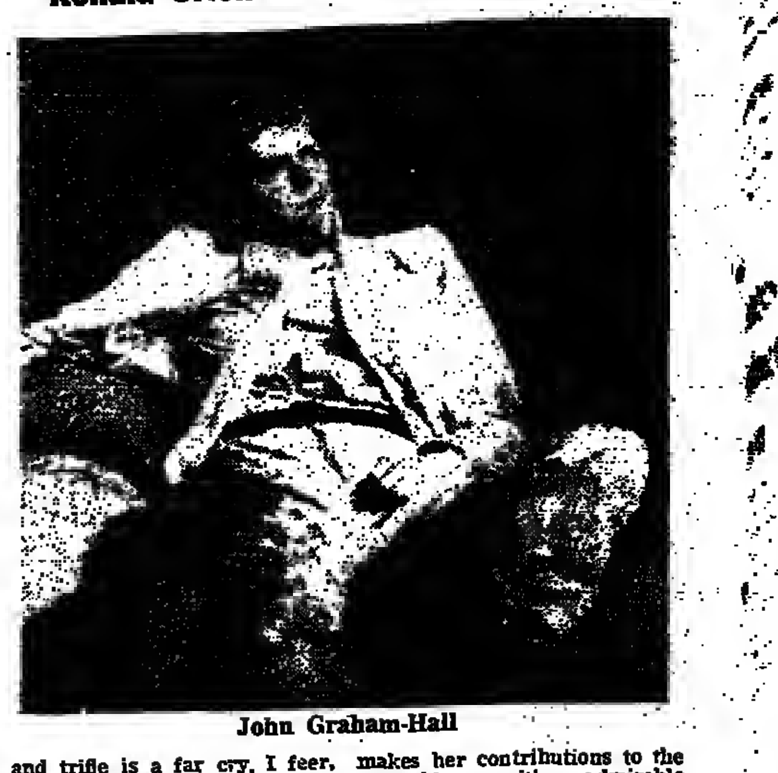
We lose two of the Duchess's children, the military induction of the Cardinal and Malateste. But the play is in no way diminished. The apparition of mutilated loved ones is confined to Antonio in a shroud and a wax hand bouncing not too ludicrously on the floor. Miss Bron is well and truly garotted, emitting a most ghastly gurgling cry, and Antonio dies crawling ignominiously towards her sympathetically outstretched ghostly arm.

The lighting by Gerry Jenkinson is, as usual, endemic to the Prowse style, ranging from nightmarish sickly nimbuses to the rich full glow of the final tableau. The switches are continuously violent and effective and an ingenious arrangement of footlights throws up giant shadows on the walls. A clock ticks threateningly *offstage,* adding to the curious prevailing atmosphere of time running out for all concerned.

The eeriness is all part of Prowse's practised and inimitable assurance in this area of the repertoire: Ferdinand suddenly materialises at his sister's shoulder like a hanging vampire, and the general composition of the stage, the progress from one scene to another, is handled with magisterial flair.

Albert Herring/Glyndebourne

Ronald Crichton



John Graham-Hall

Britten's comic opera *Albert Herring* was born at Glyndebourne in 1947 when the English Opera Group was visiting there. The gangling Suffolk greengrocer returned in triumph to his Sussex birthplace on Friday in an all-Glyndebourne production directed by Peter Hall and conducted by Bernard Haitink. The sponsors are Autobar Group and Hays Group. In the years between *Herring* has been one of the most widely performed of Britten's operas, especially abroad. I do not have the figures but would not be surprised if it came near the top of the list of foreign performances. The new production should give this useful export an extra shot in the arm.

One of the attractions of the piece for foreigners may be precisely what proved worrying during the early part of *Herring*'s career and not only then — a feeling of local in-jokes in the libretto, a very English brand of superior *giggliness,* a touch of condescension, surely not hurtfully meant but enough to set the teeth on edge. I do not remember a production where this inner layer of embarrassment was less in evidence. How Peter Hall has done it, I do not know — perhaps by taking the work entirely seriously, as *all good* comic operas should be taken.

The turn-of-the-century market town of Loxford is lovingly and observantly re-created by the designer John Gunter (with lighting by David Hersey), from the ponderous 1880 baronial of the residence of Lady Billows to the tantalising *glimpse* of the church tower behind the festival marquee, by way of Mrs Herring's higgledy-piggledy greengrocery. The crowning distinction of the evening comes from the orchestra pit, where 13 soloists of the London Philharmonic play for Haitink with a flinty, coruscating vigour that somehow leaves the vocal lines unharmed. This score, which can go scratchy, even in what should be safe hands, sounds properly nourished as well as kaleidoscopic, because the solo strings for once hold their own with the wind.

John Graham-Hall sings the title-role. Tall, thin and fair-haired, this Albert looks shy but not quite in the way that would make him wholly subservient to his bullying Mum. In his first scene, too close attention to the Suffolk accent dries up the tone. In the marquee (Loxford's meat tea with jellies and trifle is a far cry, I fear, from the great Normandy feast described by Maupassant in the story on which *Herring* is based) lyricism is not required from the now tongue-tied Albert. This act went well, and Mr Graham-Hall steadily improved up to a lovely account, after Albert's bedraggled return to the fold, of his disgraceful nocturnal adventures and the quiet but devastating final crushing of Mum.

As the dragon Lady Billows Patricia Johnson makes one of her too rare appearances in this country—Berlin's gain has been our loss. Miss Johnson's distinction, the sad features, the pale, pained, absent look, suggest a genuine concern for the town's morals, a deeply-held conviction rather than the instant outrage of a bossy old vulgarian. This places Lady Billows, who one has always suspected to be the well-heeled relic of a local magnate (his marble bust can be seen in the hall) rather than a "lady" in the old *sense,* on to a higher social level than usual.

The change produces difficulties lower down. Would this Lady Billows employ a housekeeper as rumbustiously vinegarish as the Florence of Felicity Palmer? I doubt it. Miss Palmer, a most individual artist whose début at Glyndebourne has been too long delayed, makes her contributions to the ensembles with admirable incisiveness, but she should not overplay the opening scene, which now sets a note of farce not borne out by what comes after. Sid the butcher's assistant and Nancy from the bakery, who so nearly upset the apple-cart, are sympathetically done by Jean Rigby and Alan Opie. Sid and Nancy, in their two scenes together, have about the only normal, straightforward love music in Britten's operas, and very well they sing them.

The ball-bouncing, apple-stealing children are Maria Bovino (whose Emmie is clearly about to blossom into a fiendish adolescent), Bernadette Lord, and Richard Peachey. For the rest, Loxford is portrayed by a notable group of English character singers — Elizabeth Gale in her element as the schoolmistress, Derek Hammond-Stroud clear as a bell as the unctuous vicar, Alexander Oliver beautifully discreet as the mayor, Richard Van Allan as a Kaiser Bill ramrod of a police superintendent. Lastly, a special word for the subtly-drawn Mrs Herring of Patricia Kern, *all* the more formidable for not being the conventional blowsy termagant. An abundantly satisfying, illuminating evening.

Hall Overton/Wigmore Hall

Andrew Clements

A cello recital to mark American Independence Day last Thursday in the Wigmore Hall produced one fascinating novelty. Together with the Third Cello Sonata by Martinu (American by expatriation), Barber's Sonata and the Fantasy on American Themes by Milton Schwarz, Melissa Phelps and John York gave the European premiere of the Sonata in one *movement* by Hall Overton, completed in 1960.

Born in 1920, Overton spent much of his truncated career as a jazz pianist, working at various times with Stan Getz and Thelonious Monk, and pursuing his "art music" interests on the side; the stylistic relationship between them appears to have been tenuous. In a typically provocative and illuminating essay that accompanied the programme Wilfrid Mellers placed Overton as an heir to the tradition of Ives and spiritual sibling to Elliott Carter. *Certainly the* cello sonata is as uncompromising and radical as anything to be found in Carter's music up to the early 1960s.

The sonata is by no means modelled on Carter's own for cello, written 12 years earlier. Overton's structure is more loosely rhapsodic, building from a rangy cello melody through a series of sharply contrasted episodes towards a climactic cadenza. It plays continuously for just over 20 minutes, crammed with detail and striking effects. Piano and cello frequently pursue seemingly independent tracks; there is a *liberal use of polytonality* and an avoidance of anything suggestive of diatonicism.

Certainly it is a fine example of what is coming to be regarded as the Great American Tradition, its individuality picked out in sharp contrast against the vapidity of Martinu and Brahmsian assurance of Barber. All three sonatas were strongly played by Miss Phelps and Mr York; now we want to hear a good deal more of Overton's small output.

The third RSC/NatWest Tour *will take* to the road on August 27 for a 14-week tour with two productions, *The Taming of the Shrew* and the rarely seen Brecht/Weill musical *Happy End.*

Danny and the Deep Blue Sea/Gate, Notting Hill

Martin Hoyle

Giles Croft, whose courageous work with the Floorboards company has brought much European theatre to a not always grateful British public, is the *new Artistic* Director of the Gate in Notting Hill. Until his regime gets under way, however, an American two-hander, *Danny and the* Deep Blue Sea, by John Patrick Shanley, holds the stage, directed by Robert Stephens.

Roberta and Danny are two casualties of—one assumes—society though this is never made clear. They make abrasive contact, foul-mouthed, tentatively advancing and quickly withdrawing, from separate tables in an empty bar. The second of the play's three short scenes takes them to the former closet that Roberta has made into a refuge from her parents and the teenage son of her failed marriage. They melt, and fantasise about a church wedding ("Bees buzzin' and nice girls and everybody dressed in *nice clothes.")* *He proposes,* she accepts.

The morning finds her bitterly repudiating their romantic dreams. Her self-loathing is rooted in guilt at a sexual act once performed with her father. Danny vaguely realises that forgiveness from someone — anyone—is needed, a ritual to exorcise the shame. His utterance of "I forgive you" knits his own personality into a sort of confidence. Cautiously, they face the future together.

The hour-long playlet was seen at the Humana Festival, Louisville, last year, but it must be said that these rough diamonds, emotional cripples longing to be reached through their bristling defensiveness, are very familiar. When battle-scarred Danny snarls that he's known as "the beast" and growls, "Don't touch me—it burns." the final union seems inevitable.

That the play's predictable characters matter to us say much for the two excellent performers. Fiona Victory and Alan Polonsky steer scrupulously clear of sentimentality; they are strong and clearcut with none of the fuzzy mock-tough attitudinising that *often marks actors* on this side of the Atlantic when playing Americans. They must be seen again.

Voluntary donation admission at V & A

The trustees of the Victoria and Albert Museum have decided in favour of the introduction of a voluntary donation policy for admission to the Museum rather than a fixed admission charge.

The suggested donation will be £2.00 for adults and 50p for children, students and old age pensioners, and will begin in October.

Bass wins Ferrier Memorial award

Peter Rose, a 24-year-old bass singer from the Guildhall School of Music and Drama, has won the £2,500 Kathleen Ferrier award. Mr Rose has *also* been given a *Royal Society* of Arts Award, which will enable him to study at the National Opera Studio, which takes only 12 students a year.

Macbeth/Covent Garden

David Murray

Nothing seems to have changed in Elijah Moshinsky's 1981 production of Verdi's *Macbeth;* for this second revival, even the conductor and nearly all the cast are veterans of the first or of the original show. Which is to say that one of the sharpest, most striking and ferociously single-minded productions in the Royal Opera repertoire is intact, musically and visually: that is good news indeed, and a cause for pride and satisfaction on either side of the footlights.

Not that footlights have much to do with it— the lighting belongs rather to high-level meteorology, as if lurid bolts and blazes from above were fitfully exposing what passes in a hellish realm. Behind John Napier's curving terrace of rough-hewn steps there are glowering back-washes, and the dark doings seem the darker for being committed under the brazen gleam of beaten metal. Verdi's version of the play is almost a cartoon of it, stark and simplified; Moshinsky for his part adds no extraneous details, but sets production-terms that ensure extreme consistency and swiftness.

The conductor Edward Downes conceals the seams in the score with art, gets orchestral playing that is urgent but also precise, insists on the hard brilliance of the high winds, nurtures Verdi's shuddering low-register effects—and with all that, is strictly faithful to his singers: a superlative performance. (First time round, I remarked that Riccardo Muti barbed the Witches' music so well as to suppress its fatal resemblance to "Teddy Bears' Picnic," and so does Downes.) The chorus gets great opportunities, *of course,* and makes a fine, solid noise in them.

The new Lady Macbeth is Ghena Dimitrova, whose soprano is of a size and power that allows Downes to play up his orchestra in good conscience. She looks blanched, severe, implacably dignified; in the sleep-walking scene only small, uncertain gestures betoken her inner collapse. "La luce langue" and the Brindisi are taken exultantly in character. (At many such points the opera was punctuated properly by audience approval, without the least hiccup in its dramatic trajectory.) Some imperfect focus of the voice at the outset soon cured itself, and later Miss Dimitrova took clever mere-thread-of-tone risks to excellent effect.

Renato Bruson's Macbeth is once more haunted from the start, less by ambition than by a conviction of irreversible disaster. We see little of the dangerous monster (in fact Verdi does not make much of that side of the character) but Bruson contrives to show us the trembling brute in stylised postures while investing his music with gravity and much subtlety. The sustained line of "Pietà, rispetto, amore" crowned a notable portrayal. Robert Lloyd, Robin Leggate and Dennis O'Neill are the strong Banquo and Malcolm and bright, volatile Macduff. A last word for Phyllis Cannan's lady-in-waiting, a mere voice from the shadows, but laden with tender concern.

Saleroom/Antony Thorncroft

Ruskin's eye for beauty

There is no doubt about the most important lot appearing in the auction rooms this week —the gold font made by Paul Storr, to a design by Repton, for the Duke of Portland in 1797. It is being sold by a descendent, Lady Anne Bentinck.

Christie's is reluctant to put an estimate on a unique item but is not discounting forecasts as high as £1m. Half this sum might be more realistic, given the limited demand and the row that would erupt if the buyer tried to *take* the font out of the country.

The font comes under the hammer on Thursday at the end of a silver sale which should see dealers bidding for fresh stock after generally brisk trade in recent months.

The highlight of a good auction of English watercolours at Christie's tomorrow is a previously unknown portrait by Fuseli of his wife, drawn around 1800. A similar portrait, this time by Ruskin, of Lily Armstrong, the young girl he befriended in the 1860s and who he described, in a letter to his mother, as "the most beautiful creature in face and form I ever saw anywhere," is also on offer, and the top estimate of £6,000 should be exceeded. An album of nonsense drawings by Edward Lear carries a low-looking estimate of around *£5,000,* the *kind* of sum which should also secure a drawing of 1787 by Ramberg of "The Royal Family at the Academy."

Sotheby's watercolour sale is on Thursday and the top price, approaching £40,000, should be paid for "The Setting Sun," an unrecorded work of the early 1860s by Samuel Palmer. A view of Bridgenorth in Shropshire by Turner carries a top estimate of £30,000, as does a Gainsborough landscape sketch.

The Spencers seem to be selling off most of the contents of Althorp Castle. The latest is "Two of the Duchess of Marlborough's Dogs," a portrait of 1736 by John Wootton. The Duchess commissioned *it* and gave it to her grandson, the Hon John Spencer. *It* had been at Althorp since 1746 but should now raise over £100,000 for the family.

Also in the sale of British paintings on Wednesday is "The Knox Sporting Screen," commissioned by "Diamond" Knox, an Irish racing fanatic of the mid-18th century. The screen, by Irish artist Richard Roper, depicts 12 hunting scenes on one side and 18 portraits of racehorses and riders on the other. It could make £300,000. Edward Lear continues in good demand—his "Citadel of Corfu" carries a top estimate of £18,000.

Reviewing committee's new chairman

Mr Jonathan Scott is to succeed the Earl of Plymouth as chairman of the reviewing committee on the export of works of art on September 1 this year.

Mr Scott is an executive director of Barclays Merchant Bank.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 5–July 11

Music

NETHERLANDS

Rotterdam, De Doelen. Mario Venzago conducting the Youth Orchestra of European Countries, with Stefan Muhmenthaler, violin. Schumann, Humfeld, Mendelssohn, Debussy, Liszt (Wed). (142911).

ITALY

Rome: Basilica of S. Sabina (Aventino): Camerata Mozart chamber orchestra. Mozart, Vivaldi and Haydn conducted by Francesco Lentini (Mon). Also on Wed, Margit Spirk (violinist) and Mario Patuzzi (pianist) playing music by Dohnanyi Bach. (631590).

VIENNA

Vienna Symphony Orchestra conducted by Heinz Wallberg. Bach, Mozart and Schubert. (Wed). Arkadenhof or Musikverein.

Haydn-Sinfonietta conducted by Man Red Huss. Haydn and Beethoven. (Thur). Palais Schwartzenberg.

LONDON

City of London Choir and Brompton Choral Society conducted by Donald Cashmore with Anne Dawson, soprano, Neil Mackie, tenor and Stephen Roberts, baritone. Shostakovich, Mussorgsky, Borodin and Orff. Royal Festival Hall (Wed).

London Bach Orchestra directed by Nicholas Kraemer. Bach and Handel, Royal Festival Hall (Thur).

Maggie Cole, harpsichord: Scarlatti, Soler, Bach und Ligeti. Purcell Room (9283191).

London Mozart Players directed by Marios Papadopoulos. Mozart. Queen Elizabeth *Hall* (Wed). (9283191).

NEW YORK

Mostly Mozart Festival (Avery Fisher): Opening all-Mozart programme by Mozart Festival Orchestra conducted by Gerard Schwarz with Elly Ameling, soprano, and Horacio Gutierrez, *pianist* (Mon, Wed): Kalichstein-Laredo-Robinson Trio with Elly Ameling, soprano, Harold Wright, clarinetist, Kim Kashkashian, viola; Mozart, Handel, Mendelssohn, Schubert (Tue); *Viva Vivaldi* programme of Vivaldi concertos conducted by Alexander Schneider with Christopher Parkening, guitarist and Mozart Festival Orchestra players (Thur). Lincoln Center (8742424).

HOLLYWOOD

Hollywood Bowl: Los Angeles Philharmonic conducted by Leonard Slatkin with Andre Watts, piano. Schumann, Saint-Saens and Dvorak (Tue); with Yefim Bronfman, piano. *Glinka, Rachmaninov and Prokofief* (Thur). Kiri Te Kanawa accompanied by Martin Katz (Wed). (213) 8502000.

CHICAGO

Ravinia Festival (Highland Park): National Symphony Orchestra conducted by Leonard Bernstein plays Sousa marches, *American* music and Bernstein: Songfest with Clamma Dale, soprano, Gweneth Bean, contralto, *Lucille* Beer, mezzo-soprano, Charles Walker, tenor, Kurt Ollman, baritone, Chester Ludgin, bass, and Alexander Bernstein and Nina Bernstein, narrators (Mon); Tatiana Troyanos, mezzo-soprano recital, with James Levine: Mozart, Schumann, Handel, Rachmaninoff, Ravel, Rossini (Tue); Preservation Hall Jazz Band (Wed); Toshiko Akiyoshi Jazz Orchestra with Lew Tabackin (Thur). Highland Park (7284642)

CONSTRUCTION CONTRACTS

Changes at Paddington Station

FAIRCLOUGH BUILDING has been appointed main contractor for the massive remodelling of British Rail's administrative offices at London's Paddington station. Under an £8.5m contract from British Railways Board, Fairclough is to refurbish all the main office blocks bordering Eastbourne Terrace. The project includes re-roofing, installation of partition walls and suspended ceilings, new floor surfaces in seven buildings ranging from one to seven storeys, repair and renew windows, provide mechanical and electrical services, and re-decorate. New catering facilities and refurbishment of toilets and washrooms also form part of the scheme, which will be completed and handed over in phases up to early 1987. Paddington station will remain in full service.

*

The GLENLION GROUP, Brasted, has won contracts worth over £5m for work in the South East and Midlands. Largest, at just under £2m, is for a mixed development of 77 homes comprising flats, houses, bungalows and sheltered accommodation at New Addington, for the London Borough of Croydon. At Staplehurst, Kent, work is about to start on a £1m scheme of 33 family and aged people's homes for Swale Borough Council. The development includes a day centre for retired residents. Recent design and build awards for industrial and retail buildings include £500,000 Croydon industrial scheme of five units totalling 21,942 sq ft for Bicknell Holdings.

*

MATTHEW HALL MECHANICAL AND ELECTRICAL ENGINEERS has won mechanical and electrical multi-service work worth over £14m for a range of clients including Sun Alliance, IBM, Canadian High Commission, Gallahers, London Regional Transport, BBC, South Eastern Gas and the City of London Property Company. Electrical installation projects to a further £2m include orders for Vauxhall, Sainsburys and British Home Stores. In addition the fire engineering division has obtained orders totalling £3m for fire protection services for Plessey, Vauxhall and Colemans Food in the UK and a substantial export order to India for GEC.

*

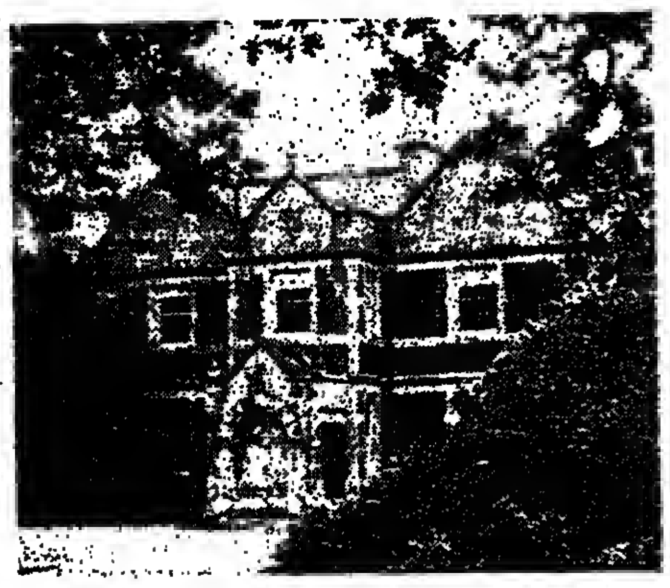
NORWEST HOLST CONSTRUCTION has won a £1.5m contract for phase 1 of Llandudno General Hospital. This will provide a 66-bed medical block comprising a 12-bed orthopaedic ward and 6-bed coronary care/intensive therapy unit on the ground floor. The first and second floors will each accommodate a 24-bed adult acute ward. Two service towers at the ends of the building will accommodate lifts and stairs, switchrooms and lift motor rooms at third floor level. Water storage tanks will be installed at fourth floor level in the east wing tower.

*

Contracts in Devon and Cornwall totalling £6.7m have been awarded to E. THOMAS AND CO, part of the Mowlem group. Largest is a £1.6m contract to complete a superstore at Ponsharden, Falmouth for Co-operative Retail Services.

G. Percy Trentham wins £12m orders

G. PERCY TRENTHAM, Reading, has won contracts worth over £12m to carry out work on four major projects in the South, and another in the Midlands. In Reading, the group is building a mechanised letter office with associated accounts and welfare facilities, together with a separate administration building and motor transport workshop, under a £6.8m contract for the Post Office. For the United Medical & Dental School of Guy's and St Thomas's Hospital, two detached student hostel buildings are under construction at Lambeth Palace, for £1.1m. The group is also building an assembly hall and classrooms at Trinity School in Croydon, for the Whitgift Foundation (£2.7m). Two contracts have been awarded by Fullers Brewery in Chiswick. Works to existing brewhouse areas are being carried out for £320,000 and a building to house new plant is to be constructed under a contract worth £733,000. At Hanley, Stoke on Trent, for the Staffordshire County Council, the group is erecting a steel-framed metal-clad grandstand, to overlook the athletics track at the Northwood Sports Centre, at a cost of £581,271.



Work starts today on Park House, Sandringham, the birthplace and childhood home of the Princess of Wales. RATTEE AND KETT of Cambridge, part of the Mowlem group, is to convert the building into a country house hotel/short stay centre to be run by The Leonard Cheshire Foundation for severely disabled people from all over the world. £1m is being raised by way of public appeal to cover the work of this project.

Rattee and Kett's contract comprises altering, repairs and extensions to the Edwardian mansion to meet the special needs of disabled people on holiday. When completed, the house will provide six single and twin or double bedrooms, two lounges, a sun lounge, a dining room, kitchens and staff accommodation. Two lifts and several ramps will be installed to make the entire building accessible to wheelchair bound holiday makers.

Conversion of Telford factory

Under a management contract worth more than £3.4m, LOVELL CONSTRUCTION will refurbish a factory for GKN Sankey at Telford in Shropshire and convert it into a manufacturing facility for production or armoured personnel carriers. Built in the 1930s the building, part of the GKN Sankey complex at Hadley Castle Works, is a single-storey structure 11 metres high and with a floor area of almost 15,000 sq metres. Work includes updating the fabric and redecoration plus incorporation of piled bases for the machines. Lovell Construction's exterior work includes breaking out an existing vehicle test track and relaying an updated facility. The project is scheduled for completion by the end of April 1986.

*

Raynesway Construction Services, a member of the Balfour Beatty Group, has been awarded contracts totalling over £1.5m. At Redshaw, the company continues the A74 Trunk Road improvements with a £700,000 contract from Strathclyde Regional Council to widen the slow lane by 1.3 metres over a distance of 1,900 metres, and the fast lane by 0.7 metres over a distance of 400 metres, overlaying the existing carriageway to an average depth of 355 mm and all the associated kerbing, drainage, earthworks and roadmarkings. At Rosyth, construction of a realigned section of trunk road incorporating a junction and a roundabout forms a £200,000 contract awarded by Fife Regional Council. The project links with the West Access Road, currently under construction by Raynesway Construction Services. A £700,000 contract at Cumbernauld has been awarded by Cumbernauld Development Corporation for construction of around 1.3 km of 7.3 metre wide carriageway, including a three-span reinforced concrete portal frame underpass and a roundabout partly overlaying the existing carriageway.

*

JOHN E. WILTSHIER GROUP has won contracts worth more than £2m. Wiltshier Reading, a subsidiary of Wiltshier Southern, has successfully tendered for two contracts together worth over £1m. In Slough, refurbishing of Bays 3, 6, 10 and 13 at Building No 1 on the industrial estate in Oxford Avenue for Slough Estates Design & Construction. Work has started and is expected to last 37 weeks; contract value is £849,000. At Long Sutton, Hampshire, a £173,615 contract covers construction of a junior common room and art room in addition to converting another room into a senior tuck shop for Lord Wandsworth College.

FINANCIAL TIMES

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Monday July 8 1985

Over-caution in Germany

ULTRA-CAUTIOUS economic management in West Germany is threatening to damage other countries and to be self-defeating at home. The dependence on exports as the main source of growth combined with sluggish private consumption is pushing the current external surplus from record to record. The same combination is preventing real progress with reducing unemployment.

The successes achieved under the Kohl Government are undeniable. The budget deficit has been whittled down. So has the inflation rate. Germany's trading partners and academic German economists have urged Bonn to use the scope thereby won to set the economy on a higher growth path.

Export demand, supported by investment in plant and equipment, has been the main element making for growth this year and is expected to remain so in 1986. Given the economic recovery of much of the industrialised world, that need surprise nobody, given the bias of West German industry towards the production of capital goods.

The external current account showed a surplus last year of DM 18bn (about £4.5bn). The DIW institute in Berlin last week forecast that the tally would be DM 37bn this year and DM 48bn in 1986. The sluggish response of private consumption to economic recovery, traceable in part to the existence of more than 2m unemployed, contributes to these surpluses. Imports are growing only slowly.

Diagnosis

Pleas from abroad that Bonn should reflate have fallen on deaf ears. The Government has no wish to repeat the experiment made in the 1970s of using West Germany as a locomotive to pull along the world economy.

Interestingly, however, the Bonn Government and, in particular, the Finance Minister, Dr Gerhard Stoltenberg, are coming under growing internal pressure to stimulate the economy. The chief economic research institutes took this position in a joint diagnosis of the economic position published in May. In June they were backed by the so-called "Five Wise Men," a group of independent economists appointed by the government to give its expert opinion on prospects and policies. This group felt itself constrained last month to issue a warning that economic policy *was going in the wrong* direction.

In spite of differences of emphasis, the institutes and the Wise Men were agreed on a fundamental point: that exports were an insufficient expansive factor to make genuine inroads into unemployment. They concluded that economic policy must be refashioned to provide a basis for long-term growth.

Instead, the economists made two proposals. Monetary targeting should be handled less restrictively—something which the Bundesbank turned down last Thursday. And Dr Stoltenberg should abandon his plans for income tax cuts in two phases in favour of cutting in one fell swoop next year.

Warning

Politically that is ticklish, since 1987 will be an election year and the Government might wish to keep some goodies in reserve. But the conflict between conventional political wisdom and the advice of the economists is more apparent than real, given the intractability of unemployment.

Jobs could be the single most important issue in the next Bundestag election. Regional elections this spring have already provided a warning for Dr Helmut Kohl, the Chancellor. The Christian Democrats, whom he leads, did badly in North-Rhine Westphalia and the Saarland—both of them states with above-average unemployment.

There *is*, therefore, a strong *political* as well as an *economic* case for Bonn to grasp the nettle.

The case for accelerated tax cuts can be advanced not simply as a means of stimulating growth, but also as a way of tackling structural rigidities which, in the view of many critics, bedevil the German economy. With inflation as low as it is, the prospective rise of nominal GDP is unnecessarily modest. On a cyclically adjusted basis the German budget is actually in surplus, not in deficit. It is not in the interests of Germany or of the rest of the world to make such a fetish of the deficits as to faster growth.

An auditor queries audits

IT IS as though the Inland Revenue were calling for a larger black economy or the Bundesbank for a weaker Deutsche Mark. Last week, Touche Ross, one of the UK's largest accountancy practices, caused a stir by recommending the lifting of statutory audit requirements for about 500,000 *small companies. In doing so*, it seemingly jeopardised a significant portion of the profession's bread-and-butter business. Since 1948 accountants have benefited from the law requiring all companies, big and small, to have their annual accounts independently audited.

The possibility that audit regulations might be liberalised was raised in March in the Department of Trade and Industry's consultative paper, Burdens on Business. The Government maintains the level of accountancy fees is a "matter of concern to many small businesses" and in April, the Institute of Chartered Accountants conceded that for small businesses financial reporting imposes an administration burden almost as onerous as Value Added Tax.

Touche Ross's memorandum to Lord Young's Enterprise Unit is a model of clarity and deploys classic libertarian arguments against regulations. It seems "unnecessary and unreasonable," argues the firm, to oblige shareholders to purchase a service they "neither want nor value" and from which no third party benefits. It suggests shareholders should be free to dispense with an independent audit by special resolution. Minority shareholders would be protected by a law allowing holders of 10 per cent or more of a company's equity to demand an audit (at the company's expense) even if such a resolution has been passed.

Directors, argues Touche Ross, should use the services of accountants when they "perceive a real value in these services rather than in order to satisfy a statutory requirement."

The Government's *consultative* paper sparked off a hot debate within the accountancy profession. The Institute of Chartered Accountants is consulting members in order to prepare a formal response by September and reports strong differences of opinion on the issue of statutory audits. The Touche Ross submission is only the first of many, but it does anticipate some of the counter arguments which may be put by the smaller accountancy firms that stand to lose most from liberalisation.

Statutory audits do next to *nothing, claims Touche Ross, to* prevent or detect fraud. Audits are carried out long after the event and a director can normally "deceive the auditor simply by omission of transactions from the accounting records and by suppression of all evidence connected with them." Nor do they help trade creditors who get virtually no comfort from audited statements because small companies lodge only abbreviated accounts with the Registrar of Companies which are up to 22 months out of date.

Persuasive

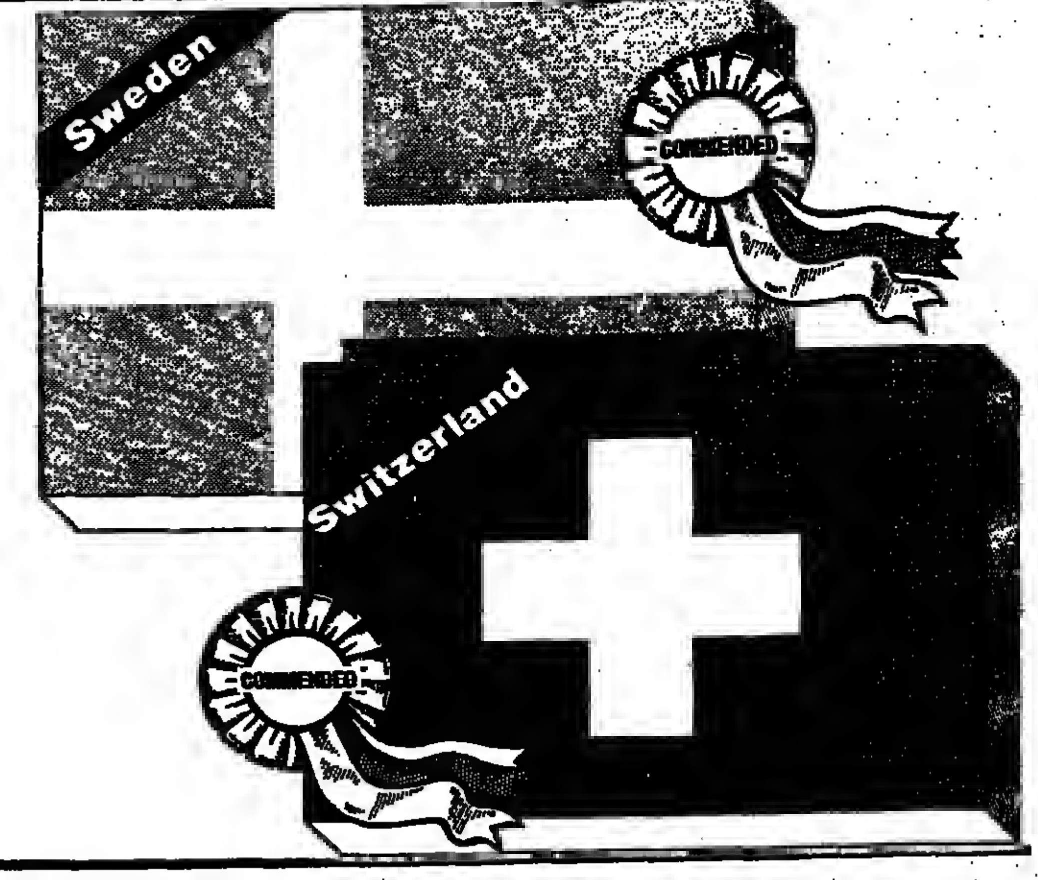
These libertarian arguments are persuasive. Indeed, were it not for the constraints of the EEC's fourth directive, some would doubtless be tempted to go further and ask what is special about small companies. Should not the shareholders of *any* company collectively be free to dispense with the statutory audit and pay only for the accountancy services they value?

For many small companies, there is in any case no division between ownership and management: the directors are the shareholders. In such cases, the rationale for a statutory audit is extremely shaky. In requiring external audits for all small companies—those with sales of less than £1.4m, fewer than 50 employees and assets of less than £700,000—the UK is out of line with international practice. Compulsory audits are not required of small businesses in North America, Australia or many European countries. Their abolition in Britain would not cause small companies to dispense with professional services. Directors would still be obliged by law to prepare "true and fair" annual accounts and many would voluntarily seek professional assistance. Accountants would then have a greater incentive to offer services of real value to their clients.

Sweden and Switzerland

How small can be beautiful in Europe

By William Dullforce in Geneva



IT is often said that American companies like Ford and IBM have made a much better fist of exploiting the economies of scale made possible by the EEC than their French or British rivals.

But companies in some of the smaller European countries outside the Community have also discovered how to take advantage of the Common Market: Sweden and Switzerland are the *home of many of the most* outstanding examples.

With no domestic markets of any real size, they are free marketers by necessity and exponents par excellence of the "niche" strategy. They are experienced at identifying small market segments where they can seize dominating shares and maintain their strength by alert and continual product development.

Put another way, a small country can sustain an advanced industrial economy only if its enterprises achieve far-reaching product specialisation and exploit international markets.

Sweden has made the most progress. The picture is more mixed in Switzerland where some of the big chemical and *engineering groups still* appear to be moving sluggishly.

The successful defence by SKF, Sweden's bearings group, against the Japanese attack on the European market exactly illustrates the point. The determination of Mr Lennart Johansson, then managing director, not to cede any product to the Japanese but to fight them across the whole range trimmed SKF's profits for some years and led to decisions on production technology and product development which the group continues to implement.

The story carries a message for those EEC companies still not exploiting the Common Market. As Mr Mauritz Sahlin, SKF's present managing director, recently remarked, the Swedish company could not have set up the Global Forecasting and Supply System, on which its defence was grounded, before the Community came into being.

The *system entails* concentrating production of specified bearings in one European plant, thereby gaining economies of scale, and shipping the bearings produced across frontiers. A non-Community company was thus one of the first to take advantage of the single, European market.

Since the 1970s, when Sweden's steel, mining and shipbuilding industries collapsed simultaneously, the rest of Swedish industry has reorganised itself faster than any other in Europe. Six multinational engineering concerns—Volvo, ASEA, Saab-Scania, Electrolux, Sandvik and Ericsson—have taken over the leading export role.

AGA, the industrial gases company, has multiplied the volume of its output by eight since 1970. Mr Marcus Storch, its managing director, is not among those who are defeatist about the *potential of European* industry.

He points out that in the past 15 years European companies—including Air Liquide and British Oxygen—have taken close to 30 per cent of the U.S. market, while their American rivals, who have been operating in *Europe much longer, still command* only about 5 per cent of the European market.

Mr Gunnar Eliasson and his team at Stockholm's Industrial Institute for Economic Research have charted the way in which Swedish export companies have changed. What were once essentially manufacturing establishments have turned themselves into international marketing organisations.

These companies are now much closer to the market and to the customer. *Quality*, not price, is the principal competitive element. A greater share of *resources*, both *human and financial*, goes into customer service. Systems or packages are offered to meet requirements rather than single products.

This, in turn, means that companies spend more on research and development with the larger share going to product development in response to customers' carefully researched requirements and the company's need to maintain its market share.

In the new-style company the value added *after* the factory gate has increasing importance. Mr Eliasson believes the decline in the relative importance of manufacturing will help restore the competitive edge to European industry in the face of the Japanese and newly industrialised countries. Their greater production efficiency may be offset by European superiority in marketing.

Many of the Swiss and *Swedish companies now performing* well conform to this description. In coping with the recession of the early 1980s several sharply reduced their labour forces in production and expanded in their marketing apparatus.

Moreover, diversification has gone out of fashion. Several newly vitalised companies have sold off the businesses acquired during the 1970s, having discovered that it is better to stick to those activities at which they are particularly good.

Mr Bruno de Kalbermatten, managing director of Bobst, the small Swiss multinational which *is the world's largest maker of* machinery for converting paper and carton into packages, acknowledges that it took his company 10 years from 1970 to realise that it was impossible to make a success of its diversification into photo-composing equipment which at the time seemed to have synergy with its carton-cutting machinery.

At Sandvik, the Swiss cemented carbide and steel tool manufacturer, which turned a small 1983 loss into a SKr 1bn (£88m) pre-tax profit last year, one of the first moves by Mr Per-Olof Eriksson, when he took *over as managing director* in February 1984, was to "strip off the fat" and to disinvest the group of the companies which

did not fit its main business.

Common to many currently successful Swiss and Swedish *enterprises is the emphasis* on closer collaboration between their research and development teams and their marketing staff in developing products.

Mr Martin Hilti says "total innovation" is the secret of his company's success in fighting off the Japanese in the construction fastenings sector. He does not mean inventing entirely new products but continual improvement of both existing products and the marketing organisation *to exploit the 25,000 contacts* a day which his people make with customers.

"In this business value added really lies in the software, not in the mechanical parts, which is why people are so important," says Mr Alfred Schindler, somewhat surprisingly. The Swiss lift manufacturer which bears his name has, for example, a technical spearhead in a very tough market with a new electronic control system which adds speed and efficiency to a bank of lifts.

"Good people in right jobs," is the *immediate* answer to a query about success factors from Mr Ulf Widengren, managing director of Astra, Sweden's largest pharmaceutical company, which has seen average annual growth of over 20 per cent in recent years.

Mr Widengren underlines the importance of "getting marketing people into contact with research staff often," of having highly qualified people talking directly to doctors and of communicating as a vital management tool.

AGA's research and development effort has been run since 1976 by a technical/commercial council of some 10 people, only three of whom are researchers. The rest are marketing people, an accountant, a university professor and management staff.

The ivory tower for research is out. It took AGA three to four years to get its researchers to accept the link between commercial demand and research. Many of them left the company. Now teamwork has generated greater personal involvement in keeping AGA in *front* with new market applications, according to Mr Storch.

Perstorp, the speciality chemicals concern which has been one of the most innovative in recent years, has no centralised research operation and no research director. Early in the 1970s its research organisation was deliberately broken up to bring researchers and marketing people closer together.

Now the chief executive in each of nine "business areas" *is personally responsible for* developing products from the research stage to their launch on the market. But Perstorp also has Pernovo, a separate company specialising in identifying and developing new ideas which it then spins off to the "business areas" or sells to outside buyers.

Reported spending on research and development varies widely. Astra's was as high as 19 per cent of sales in 1984, while the industrial companies show lower ratios.

In Sandvik's cemented carbide business about 5 per cent *of* turnover goes to developing new products. Hilti allocated SwFr 36m to research and development compared with its SwFr 1.5bn sales last year and *is raising that to SwFr 43m* this year.

The statistics do not give a true picture of the research and development effort, partly because of different reporting practices but mainly because of the shift in emphasis from spending in laboratories and research units to upgrading product quality in co-operation with customers.

Like Mr Storch at AGA, Mr Karl-Erik Sahlberg, Perstorp's managing director, stresses the importance of "adding life cycle curves" to existing products. The life cycle of his mature, high-pressure laminates has been profitably prolonged by finding ways of producing them on reels instead of in sheets and by discovering new uses.

The philosophy that there is plenty of life and profit in "old" product lines is ingrained in most currently successful Swiss and Swedish companies. Any suggestion that the skilful application of information technology, electronics and combined marketing research techniques to *such products* is not real innovation meets with indignant rebuttals.

Introducing cams instead of toggles in Bobst's die-cutting machines—a technique which took six to seven years to get right—and speeding up output by using computers to calculate stresses on carboard passing through the machines is basic research for Mr De Kalbermatten.

Mr Storch is highly critical of European and American steel makers for abandoning the market to the Japanese and other cheap producers instead *of using the cash* flow they once generated to modernise plant and develop new products in co-operation with their customers.

For Mr Sahlberg the most difficult annual budgeting exercise *is* to strike the right balance between old, cash-flow products and investment in new products or, from another angle, between healthy dividends for Perstorp shareholders and product renewal for the longer term.

A typical feature of all the companies is that they use information technology to speed up reporting of key figures from their subsidiaries and international outposts.

Market share or market position (i.e. relative to the closest competitor) on the one hand and cash flow, the balance sheet or return on investment on the other are available in some cases at monthly intervals.

The advance in finger-tip control for the chief executive runs parallel with a decentralising trend, pushing responsibility down the line in the organisation.

The new-style management gives companies greater flexibility and speedier reactions at the same time as it creates a more congenial working climate for the swiftly-growing number of educated, intelligent personnel.

Mr Alfred Schindler is highly appreciative of the "blue jeans and T-shirt outfit" in Biel which provided the brain power to develop the automated guided vehicles in his *Digitron* subsidiary.

General Motors Fanuc, the robotics group, has just chosen Digitron as a partner. It is doubtful whether the Digitron team would have flourished in the Schindler of 10 years ago.

This still evolving management style may be the key contribution of the small-country multinationals to maintaining Europe's industrial competence.

Men and Matters

A new ace of clubs

The London night club scene is about to get a new player, Peter Gatien, a 32-year-old Canadian multi-millionaire who specialises in turning rundown churches into swinging night-spots.

In New York, where the mortality rate of new clubs is probably higher than anywhere, Gatien bought an old Episcopalian church in the city's Chelsea area, did it up, and renamed in The Limelight Club.

He has transformed the old church into one of the more permanent watering holes for New York night people. On a good night, anything up to 2,000 people cram its aisles.

Gatien is now betting heavily that he will be able to translate his New York success to London. He has bought a former 19th century Welsh Presbyterian chapel in Charing Cross Road for £1m and is spending another £2m before opening for business later this year.

Gatien *fits* easily *into* the night club scene with his shoulder-length hair and black eye-patch and is now said to be one of the shrewdest entrepreneurs *in the business in* North America. By his own admission he is a "double or nothing investor." He started in business as a teenager with the $13,000 insurance money he received after losing an eye playing ice hockey.

His first venture was a small clothes shop outside Montreal. He made $35,000, used it to buy a Country and Western club in his Ontario home town, moved on to Florida, then to Atlanta, doubling his money as he went along.

His New York club will turn over close to $10m this year "and a third of this will go through to the bottom line," Gatien says. He is using the profits for a new club in Chicago as well as London.

But he says he has no plans to become "the McDonald of night clubs." London will be his last venture in that field. "By the time I'm 35 I would like to be producing movies," he says.

"I got swept aside by the political band wagon leaving Brecon"

Bashful bidders

Paintings at auction are going for record prices these days, but who is buying them? The art world is awash with gossip about the likely owners. Turner's view of Folkestone, for example, the property of Lord Clark and sold by his heirs at Sotheby's last summer for *£7.37m is now on loan to the* National Gallery of Scotland.

This suggests a British owner. Could it be the reclusive David Robinson who lives modestly on the fortune he made from television rentals? More recently, a baroque masterpiece by Guido Reni sold at Sotheby's for a surprising £2.2m. Once again there has been no application for an export licence, but this time trade rumours suggest it is in the British home of one of the Koch brothers.

The Kochs, billionaires from the southern United States, are known to be keen buyers of Old Masters and the Reni is to their taste.

But the keenest speculation concerns the two major paintings that Sotheby's sold in New York in April in the Florence J. Gould auction—a Van Gogh landscape for $9.9m and a Toulouse-Lautrec portrait for $5.28m. Sotheby's pinpointed 200 new potential buyers for these expensive Impressionist paintings, and provided them with *discreet* boxes above the auction floor from which they could phone through their bids.

Now New York gossip suggests that the "private buyer" of the Toulouse-Lautrec was none other than Alf Taubman, the owner of Sotheby's who has been known to buy Impressionists for his attractive young wife. As for the Van Gogh, the new owners are believed to be a mysterious "syndicate of investors."

Out of court

Television viewers glued to the final day's action of the Centre Court never see the quiet New Zealander who makes it all possible. Harold Anderson's annual masterpiece is known and loved by more sports fans throughout the world than any other annual television broadcast.

Anderson, a slim 39-year-old from Dunedin, has just completed another Wimbledon marathon—120 hours of championship tennis broadcast to 350m viewers.

As a 15-year-old golf-mad youth in New Zealand with a handicap of 2, Harold had to decide between a career as an assistant professional or television—"*thank goodness I made* the right choice and joined TV New Zealand when I was 17," he says.

In 1969 he came to Britain for a three-year spell, but returned to New Zealand to produce the 1974 Commonwealth Games and then was appointed head of sport for the national network. Four years later his BBC opposite number, Alan Hart, invited Anderson to become editor of Grandstand and in 1982 he took over the task of organising Wimbledon coverage from Jonathan Martin, the BBC's new head of sport.

Wimbledon's TV village is on the north side of No. 1 Court on a site that would cover a dozen tennis courts. Besides the BBC's own vehicles and buildings around which swarm the 200 people involved in bringing pictures from the 21 cameras to the mobile control room from where Martin Hopkins, Anderson's 43-year-old right-hand man selects from *a battery* of 41 monitors, there are the integrated operations of NBC and HBO for America, TV Asahi for Japan, and SAABC for South Africa. Australia's Channel 9 was linking tennis coverage and the Lord's Test match from Wimbledon for five days.

In case you think that after all this effort Anderson will be taking a well-earned rest this week, it doesn't work like that. He has to pick up the threads *of* the *Belfry Golf* tournament next weekend and then, the following week, mastermind the other huge outside broadcast sporting event of the year, the *Open Golf* at *Royal Sandwich*.

Last laugh

With the tourist season reaching its height, foreign visitors on London underground stations can hardly have failed to see the British Telecom posters urging them—in French, Italian, German and American English—to telephone home if they experience something their friends might like to know.

The German ad shows a tubby and bewildered red-nosed man on a blazing hot day in London. He phones home and says: "Fritz, this is awful. You can't get a drink anywhere after 3 pm."

British Telecom held detailed conferences about the posters and getting the nuances right (including toning down the red on the little German's nose). Even so there have been pro*tests, including one* from a sensitive peer who said the posters were anti-German and should come down.

At West Germany's embassy in Belgrave Square, there are no such misgivings. A copy of the poster holds pride of place on the office walls of press counsellor Berndt von Waldow.

Observer

BASE LENDING RATES

A.B.N. Bank	12½%	Heritable & Gen. Trust	12½%
Allied Dunbar & Co	12½%	■ Hill Samuel	§12½%
Allied Irish Bank	12½%	C. Hoare & Co.	12½%
American Express Bk.	12½%	*Hongkong & Shanghai*	12½%
Henry Ansbacher	12½%	Johnson Matthey Bkrs.	12½%
Amro Bank	12½%	Knowsley & Co. Ltd.	13 %
Associates Cap. Corp.	13 %	Lloyds Bank	12½%
Banco de Bilbao	12½%	Edward Manson & Co.	13½%
Bank Hapoalim	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount-Credit Corp. Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit Bank of Mid. East	12½%	*People's Trust*	*13½%*
■ Brown Shipley	12½%	PK Finans Intl. (UK)	13 %
CL Bank Nederland	12½%	Provincial Trust Ltd.	13½%
Canada Permanent	12½%	R. Raphael & Sons	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13 %
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Choulartons**		■ J. Henry Schroder Wagg	12½%
Citibank NA	12½%	Standard Chartered	‖12½%
Citibank Savings	¶12½%	TCB	12½%
City Merchants Bank	12½%	Trustee Savings Bank	12½%
Clydesdale Bank	12½%	United Bank of Kuwait	12½%
C. E. Coates & Co. Ltd.	13 %	United Mizrahi Bank	12½%
Comm. Bk. N. East	13 %	Westpac Banking Corp.	12½%
Consolidated Credits	12½%	Whiteaway Laidlaw	13 %
Co-operative Bank	*12½%	Williams & Glyn's	12½%
The Cyprus Popular Bk.	12½%	Yorkshire Bank	12½%
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		

■ Members of the Accepting Houses Committee.

* 7-day deposits 9½%. 1 month 10¼%. Top Tier—£2,500+ at 3 monthly notice 12½%. At call when £10,000+ remains deposited.

‡ Call deposits £1,000 and over 9½% gross.

‖ 21-day deposits over £1,000 10½%.

¶ Mortgage base rate.

** See Provincial Trust Ltd.

§ Demand deposits 9½%.

FOREIGN AFFAIRS: AFTER MILAN

The case for Euro-froth

By Ian Davidson


Mrs Thatcher: conciliatory posture

EUROPE SHOULD be relieved that Mrs Thatcher has made the effort to adopt a calm and comparatively conciliatory posture after the debacle of the European Community summit in Milan.

She must have been tempted to play to the nationalist gallery, and to bray about the childishness of the Euro-fanatics on the continent. But to have given into that temptation could only have made matters worse, and might have converted a debacle into a disaster.

The problem is that Mrs Thatcher's show of serenity may rest on the assumption that nothing has really changed, and that despite all the huffing and puffing to come, she will get her way in the end. Such an assumption could prove deeply and dangerously mistaken.

The case for serenity is simple, and it falls into two parts. First, there is no consensus on the purpose of the constitutional conference which is to be held later this year. Is it to be a minimalist affair, aimed at introducing majority voting in a few Rome Treaty articles which are currently subject to unanimity? Or is meant to be a maximalist enterprise, to introduce large new legislative powers for the European Parliament?

Deciding on this agenda is perhaps the most difficult step. For if it is too maximalist, the Danes or the Greeks may stay home, thus putting the kybosh from the outset on the prospects of getting any ratifiable agreement. The Luxembourgers, who have taken over the presidency of the Community for the rest of the year, must be having (in the words of one diplomat) "70 different fits."

Even if the Luxembourgers can lure all the member states to the conference and keep them there, they still have the problem of shepherding them towards an agreement which can be ratified in all parliaments. Without such unanimity, the conference will fail; Mrs Thatcher may think she can rely on the Greeks and the Danes to ensure that the Eurofanatics scale down their aspirations to the minimalist end of the spectrum.

Since she does not want any changes in the Rome Treaty, she may even hope that the conference will, at the end of the day, settle for the British Government's original proposals: a gentleman's agreement on more majority voting, but without sacrificing the right of national veto; and a more formal agreement on the co-ordination of foreign policy. Let the fanatics have their conference; but since the British ideas are obviously so sensible and realistic, why shouldn't they become the basis of an eventual agreement?

"A minority of Euro-Unionists succeeded in panicking the rest into a conference," says one British official, "so some way must be found to enable Italy and the Benelux countries to satisfy their public opinions. Meanwhile, we shall stick to our last in a patient and constructive spirit."

"There will be an enormous amount of froth," says another, "but we shall not be adopting a high profile. They must work out something sensible."

"Sensible": that is the word which trips so easily off the tongues of British negotiators, and there is undoubtedly a lot to be said for being sensible. The most sensible thing the summiteers could have done would have been to agree on some immediate improvements in decision-taking, even of a modest and pragmatic kind, for the sake of effectiveness and credibility; and to have consigned more sweeping changes to a conference later in the year.

But what was sensible before Milan, may no longer be quite so sensible now, as a negotiating strategy for an open-ended conference. For the question now is not just whether the Community will make "sensible" improvements in majority voting, but whether the conference will produce a result which the majority of the member states, starting with the original Six, can regard as a success.

Before Milan, there was very serious doubt whether the French or German Governments really wanted much more sweeping constitutional changes than Britain. The French Government, for example, was prepared for a bigger role for the European Parliament, but not for joint decision-making: the last word must remain with the Council of Ministers.

But after Milan the position may change. The fact that the future of the Community does now hang on this conference will endow it with political resonances which may not be "sensible," which Mrs Thatcher may think are silly, but which are part of the reality of the European enterprise and have been since it began.

Why will the British *never learn? They took a superior* view of Euro-froth 35 years ago, when the Six started down this road; they went on taking a superior view of Euro-froth 27 years ago, when the Six formed the Common Market; and they are *still* taking a superior view of Euro-froth. By this time you might think it would begin to dawn on people that Euro-froth is essential for an undertaking whose defining characteristic is an institutional mechanism for reforming the political and economic map of Europe.

By itself, Euro-froth produces nothing but empty declarations. *But without the ingredient of* political aspiration, the Community grinds to a halt: the farm policy becomes hostage to Bavarian farmers. Something extra is needed to overcome vested national interests: pragmatism is not enough — and everybody knows it, except Mrs Thatcher.

The decision to hold the conference has raised the ante; whatever reservations the French may have had before, *they are now bound to stake out* a more forward position than Mrs Thatcher would like, partly for reasons of public rhetoric, partly to distinguish themselves from the British, and partly to be able to determine the direction of the negotiations.

If the conference falls short of any substantial concession to the political aspirations latent in the Six, it may look, by the criteria of British commonsense, like a success; but it will be, in political terms, a serious failure. And then the chances are that the Six, perhaps with Ireland, will look for an alternative way of strengthening their links in an inner core.

That at least was the prediction, made quite independently last week, by two very seasoned students of the Community, in identical terms. "It is now inevitable," said one; "either the Rome Treaty will be amended, or there will be a new treaty [between the Six]; one or the other."

If this is the choice, then it is obvious that an agreed amendment of the Rome Treaty is, from Britain's point of view, much better than relegation to the outer tier in a two-tier political Europe. But the more the British Government minimises the need for treaty amendment, the more it will strengthen the foot-dragging of the Danes and the Greeks, the more it will undermine the prospects of a politically successful conference, and the more it will reinforce the prospects of a two-*tier Europe.*

British officials may be tempted to scoff at the danger. The Six cannot abrogate their obligations under the Rome Treaty, and they cannot change it by majority decision, so what can they do?

They can adopt, and even *ratify, a solemn declaration of* political aspiration, but without practical obligations; or they can adopt a treaty on policy areas not covered by the Rome Treaty, such as foreign policy, or culture.

But if they went for a pre-federalist treaty, like the Spinelli draft from the European Parliament, which encompasses the competences of the Rome Treaty, they would face the prospect of two *parallel treaties, with parallel* institutions, and constant legal battles between two Courts of Justice. Such a result is such a recipe for confusion as to be scarcely conceivable.

But this kind of pragmatic demolition of the alternatives facing the Six is surely to miss the point. First, any new agreement limited to the Six, even if it appeared completely vacuous, would be a major political statement, with entirely unpredictable consequences for the longer term. Second, it would be open to the Six to conclude a treaty establishing a political caucus, with interpretations on the application of the Rome Treaty; among other things, it might denounce the Luxembourg Compromise and the right of national veto.

Third, in every single case, according to my hypothetical tree, Britain would be obliged *to seek membership* in the new inner grouping, because it could not afford to be in the outer. But it would do so too late, and by then the damage would have been done.

Mrs Thatcher now has little room for manoeuvre. She thought she would out-smart the unionists in Milan, but she underestimated the importance of Euro-froth. Her best option would be to stick like a shadow to the French and the Germans, in order not to be left out in the cold.

But she may not find it easy to discover what their real intentions are, because she voted the wrong way in Milan, and because she has sneered for too long at the Euro-rhetoric which remains a real if neglected talisman of the Six. Moreover, the British budget battle is over but not forgotten. For five long years she *made* them sweat; now she may have to learn to eat crow.

Lombard

Jobs—two straws not yet summer

By Samuel Brittan

IF THE editor allowed questions in headlines, the title of this article would be "Has the Unemployment Trend Turned?" The answer would be that, although one can be slightly more hopeful, it is still far too early to be sure of a turn or even a levelling off.

Those people who letch on to individual bad months, such as April, to make political points should feel suitably chastened that the "headline" June unemployment total fell by 62,000 and that the "underlying" seasonally corrected total, excluding school leavers, fell by 7,000 after a levelling off in May.

But those of us who stress the variability of month-to-month figures, whether for unemployment, industrial production, money supply or anything else, need to be more careful.

If we take the last three months together, unemployment has still been rising at an average rate of 7,000. Over six months the average rise was 11,000. This compares with 12,000 in 1984 and a basic rise of less than 5,000 per month in the second half of 1983 when a false dawn appeared.

The Employment Secretary, Tom King, may say that this is the best month for five years; but if we take a half-yearly, or even quarterly, look the last part of 1983 was better. As a natural optimist, I would hope that there has been at least a levelling off. But my main basis for saying so would be my interpretation of the last full CBI Trends Summary in April, and I would want to see whether it was confirmed or weakened by the next full survey due this month.

A greater basis for optimism is the behaviour of vacancies, which after showing no clear trend in the first quarter of 1985, have been rising steadily in the second. They are now twice as high as at the recession low point in 1981. But before cheering too loudly, we might remember that the present level of notified adult adjusted vacancies of 175,000 (believed to be about a third of the total) is not all that much higher than the earlier peak of 168,000 achieved in October 1983, before a subsequent relapse.

One of the few predictable features is that there will be a scare headline when the September unemployment figures are published on the verge of the Conservative annual conference. This is because school-leavers become claimants in that month and enter the headline total.

It would take a very clear-cut underlying drop indeed to prevent fresh scare headlines this September. This annual scare may have some value in reminding the political world of the problem that exists throughout the year, although the timing plays into the hands of the "wets."

There is an important non-debating point to be made about registered vacancies. The present figure of 175,000 corresponds to an unemployment total of 3.2m or 13.1 per cent. When vacancies were last at this level in early 1980, unemployment was 1.4m or about 5½ per cent. Further back in 1971, some 175,000 vacancies were associated with less than 700,000 unemployed or about 3 per cent.

One does not want to lean too heavily on vacancy figures, which *may record* a different fraction of true vacancies over time. But for what they are worth, they suggest that a given state of the labour market is accompanied by far more unemployed than in earlier periods, suggesting in turn a greater mismatch between employment opportunities and the characteristics of the unemployed.

The vacancies evidence, together with indirect evidence of re-emerging capacity restraints on output, and skill shortages, reinforce the impression that the economy would have difficulty in absorbing a much larger increase in demand than the present and that the key to unemployment lies elsewhere.

This does not mean that demand can be disregarded; and it is important for the Chancellor to watch fiscal and monetary policy to make sure that the present upturn does not dwindle too much in 1986, after allowing for the catching-up element due to the miners' strike.

But the majority of senior economic academics who told a recent survey that tight fiscal policies were at the root of high unemployment are a long way from the heart of the matter. Last September, for instance, the headline total jumped by 168,000, when the underlying rise was 24,000.

Letters to the Editor

British Telecom's private circuits

From the Head of Information Services, Central TV

Sir, — I have just received a letter from British Telecom advising that X Stream private circuit costs are about to increase. I note with particular interest that British Telecom is "taking a number of steps to increase the performance further." It needs to.

Experience since the beginning of 1985 on our main Kilostream route has, to say the least, been unsatisfactory.

- We have suffered three major down-times "owing to maintenance" of over two hours each in duration. No prior warning was received.
- A test "loop" was left in one circuit by a British Telecom engineer, rendering it unavailable for several hours.
- *Numerous* failures in excess of 10 seconds have occurred.

Our estimate of availability for the current year is below the CCITT recommendation — let alone the more ambitious BT target of 99.5 per cent availability pa — and that is based on the assumption of no down-time at all during the next six months.

A. E. Salmon.
Central House, Broad Street, Birmingham

Psychological tests in recruitment

From Mr J. J. Q. Fox

Sir,—In his article about the "use of psychological tests increasing in recruitment" (July 4) Brian Groom mentioned some of the ways in which tests can enable employers to identify better candidates.

Having used psychological tests for 20 years, we feel there is an added benefit which should be of interest to your readers. When applying for jobs, too many people are restricted by what they have done previously. Through the use of tests, employers can identify people who have the potential to develop new skills and new careers. These people will be much more motivated, committed and keen to succeed than people who have become tied down by earlier and perhaps wrong career choices.

Employers, above all, need people who are intellectually and emotionally flexible, and these are qualities which can be assessed by tests far more effectively than through interviews or a candidate's track record.

Joshua Fox.
Consultant Director, Career Analysts,
90, Gloucester Place, W1.

Discrimination against men

From Mr M. J. Purches

Sir,—I happily concede to Ms Allen (June 25) that pensions and motor insurance are not in the same league. The point is that life is full of inequalities, but women are not, as some organisations would have us believe, the only victims.

The Equal Opportunities Commission does indeed call for repeal of section 45 of the Sex Discrimination Act, but it has been unable to make much progress in 10 years, and so is forced to make guerrilla attacks on it by supporting individual cases. I predict that *those cases will only* be the ones of feminine interest, but we shall see.

Ms Allen is on dangerous ground with her speculation that the lifespans of the two sexes may converge when women take on more demanding careers. It follows logically that womankind must be having an easier time of it at present, the mere suggestion of which may well cause apoplexy in feminist circles.

Michael Purches,
Rush Common House, Abingdon, Oxfordshire.
P.S. Splendid cartoon!

Transcripts in court cases

From Mr R. J. M. Morgan

Sir,—I read with great interest and agreed fully with Rachel Davies's article on the availability of transcripts of court cases (July 1). To its timely observations I should like to add two more.

Firstly (and this was mentioned obliquely in the article), there is a plethora of reporters and transcribers within each division of the High Court and the Court of Appeal: there is, to my knowledge, no way of ascertaining with any degree of ease who is attached to a particular division when one gets to hear of a case. Much time is, therefore, spent in tracing the reporter and/or transcriber, and even when one does, the transcript may not be ready for several months.

Secondly, there is the curse of unreported cases, many of the long-term or permanently which involve important points of law and are the bane of practitioners and students alike. It is not unknown for a reported case to have been decided six or seven years beforehand and only to have been reported because it was applied in a subsequent case.

I am sure that these observations and those of Rachel Davies are not exhaustive: cannot the Lord Chancellor (as minister of justice) introduce a central reporting system to which inquirers can be referred when attempting to trace transcripts and with a brief to ensure that all noteworthy cases are included in the leading law reports? There must be radical improvement, for the administration of justice, and the continuing legislative and common law developments which provide it with work, will not slacken pace just to suit an outmoded system of reporting. Whither the adage that "ignorance of the law is no defence"?

Robert Morgan,
7 Vere Street, W1.

Britain's role in Europe

From Mr P. W. Grange

Sir,—Your editorial on the EEC dispute (July 1) summarises the points of disagreement but fails to suggest a solution. In the final analysis the UK can do one of three things: pull out altogether, stay in as some kind of associate member, or agree with the majority to progressively reduce the right of veto.

If we pull out we might apply for closer ties with the U.S., but even assuming they wanted us we would then find ourselves stuck with their foreign policy. The associate membership is a poor compromise—however a decision to go along with the others to accept majority votes would bring significant benefits in the long run.

Our logical course of action should be to further strengthen the EEC. With the entry of Spain and Portugal the Community is now commercially more powerful than either the U.S. or the Eastern Bloc. If eventually welded into a genuine federation, it will be in a position to exert a stabilising influence on foreign affairs which would be to everyone's advantage, particularly to our younger generation who would otherwise have no future at all.

We are currently the only major EEC country out of step when we could otherwise be helping with the formation of a really effective group.

P. W. Grange
82 Collinswood Drive
St Leonards-on-Sea, E. Sussex

No power to block our partners

From the chairman, Conservatives Against the Common Market.

Sir,—So Mrs Thatcher is angry with our European partners! Furthermore she believes that she has power to block our being subsumed into the proposed Euro-megastate.

But this is *not* the opinion of the Spinelli committee which drafted the treaty of union; they believe that Britain can be forced into the union against its will if a majority of states representing two-thirds of the population agree (see Article 82).

As the only three states opposing unification (Britain, Denmark and Greece) represent less than one third of the total population, it appears that the unifiers have already got their required majority.

Our European partners see themselves as our bosses; they may try to deal with us as the southern states of the U.S. and Biafra were dealt with when they tried to secede from the unions in which they were enmeshed.

Mrs Thatcher had better wake up before it is too late!

R. E. G. Simmerson,
36, Wilton Avenue, Chiswick, W.4.

Profligacy

From Lord Killearn.

Sir,—Nowadays governments—or at least our Government—inflate the money supply by creating extra credit through the banking system.

Henry VIII and Charles II did it through the Royal Mint: Asquith through the Treasury by Bradbury notes.

Nobody suggests that deficit financing of government activities—the "printing press," now politely called the PSBR—is a good thing; but why acquire an additional substantial, continuing (and unnecessary) interest charge in the process?

Killearn.
House of Lords.

Smoke signals

From Mr H. Anderson

Sir,—"Battlefront advances on smokers in America" (July 2, page 4). Is this attack on a great working tradition to be extended to the UK? Ever since Raleigh, the drift of smoke over closed toilet doors has been a hallowed and integral part of the "comfort" break.

Excuse the Americanism. Or could it be that you meant to say conveyances?

Hamish Anderson.
Department of Energy, Aberdeen.

FINANCIAL TIMES

Monday July 8 1985

Terry Byland on Wall Street

Hopes rest on service industries

THE SHADOW cast over corporate earnings prospects by the sluggishness of the U.S. economy deepened a little more at the end of last week, as Wall Street scanned the latest employment statistics. Brokerage analysts stepped up their search for companies with above-average earnings records, and commitment to sectors thought least vulnerable to an economic slowdown.

The distinction between the manufacturing sector, which seems more vulnerable to an economic slowdown, and the service industries, which continue to prosper, often simplifies itself into a matter of corporate size. The manufacturing sector, reflected in the stock market by trends in the major market indices of Dow Jones and Standard & Poor's, features the larger sized U.S. companies. In almost natural contrast, the service sectors incorporates a host of small company names, many trading on the Nasdaq over-the-counter markets.

Seen in this light, it is significant that the larger capitalisation stocks have been more erratic in recent weeks. Although market indices have pushed through to new peaks, they have responded quickly and nervously to the ebb and flow of federal economic data. The smaller stocks have been more resolutely pessimistic over the past month or so, and have now given back all the above-average gains of the rally at the beginning of the year.

Now, with analysts scaling down profit forecasts for the industrial stocks, the time may be ripe for reassessment of some second line service stocks.

The market pundits predict falls of up to 6 per cent in the second quarter in manufacturing sector profits. Yet Smith Barney, Harris

STOCK	52-WK RANGE	PRICE	P/E
AM Bakeries	$22–15	$20¼	8.8
Heck's	$16–10	$13¾	7.0
Longs Drug	$30–18	$29½	12.5

Upham estimates that the S & P 500 stocks continue to trade on a prospective earnings ratio of around 11.7.

This contrasts sharply with the many smaller, service industry stocks, trading on well under 10 times earnings, despite solid forecast of profit gains for the full year of 10 per cent to 20 per cent.

It may be, of course, that the confidence in the service sector is misplaced, and that its corporate profits outlook will fall into line with that of the industrial stocks. But the display between manufacturing and service industry stocks is too great to be ignored.

Some stocks have already begun to respond to increased institutional interest. Longs Drug Stores, operator of retail drug stores in California and throughout the U.S. is close to its 52-week peak and selling at 12.5 times estimated earnings for 1986. Its strength is based on expectations that earnings will rise by 14 per cent this year and perhaps 12 per cent next year.

A better buying opportunity may be American Bakeries, also a mere $2 off its 52-week peak but available on under 9 times the profits estimated for 1985 by Smith Barney.

With sales till under $500m, American Bakeries has a strong earnings record and prospects but the stock price has been held back by the cost of acquisitions. The board's plans to reduce debt by a private placing of 500,000 shares threatens to dilute the equity. If the service sector meets the same kind of slowdown as manufacturing industry then Bakeries may find it is hard to generate the extra earnings for the placed shares. But, in the meantime, the low earnings multiple is a major attraction.

Another prime candidate is Heck's, the West Virgina based discounter which is emerging from a costly programme of store modelling. The stock is midway in the 52-week range and the low earnings ratio has yet to reflect the turnround in profits expected this year. By 1986, Heck's could be earning $2.00 a share, compared with the loss of 86 cents in the last fiscal period.

Heck's stock price has been held back by the store remodelling plans. But they are now well-advanced, and financed by low interest bearing industrial development bonds. Like American Bakeries, the stock has plenty of room to grow if the expected profits come in, and yet plenty of leeway if the service sector foils to measure up to market expectations.

To put it another way, any manufacturing stock selling below the estimated earnings ratio of 11.7 for the Standard & Poor's 500, is probably priced safely, unless the economy does very much better then expected. If the economy does worse than expected, then the manufacturings stocks will be the first to know.

AT LEAST 50 PITS MAY CLOSE IN PLANNED FOUR-YEAR PROGRAMME

UK coal output to be heavily cut

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

THE UK National Coal Board (NCB) is to open a massive programme of closure of exhausted and uneconomic pits with the aim of cutting out some 30m tonnes of old capacity over the next four years.

Of that, nearly half – some 13m to 14m tonnes – will be pits that are clearly exhausted or very near to exhaustion. The remaining 16m to 17m tonnes will be uneconomic capacity – pits where substantial reserves remain, but where no prospect is likely of break-even or profit.

The board's aim will be to stabilise output at about 90m tonnes of deep mined capacity, with a further 15m–16m tonnes being provided by open-cast coal. It believes that that output target will match existing market realities and that growing production from large pits where there has been new investment will progressively reduce the need for unprofitable production.

That perspective will form the basis of a new "Plan for Coal" – replacing the plan that was a key issue in the recent year-long miners' strike. It has already received outline approval and is likely to be approved by the board in the next month.

The cuts will fall hardest on the "peripheral" areas of Scotland, South Wales, the north-east of England and Kent, south-east England. The board will fight shy of putting precise numbers on the capacity cut, but it will mean the closure of at least 50 pits and the loss of at least 50,000 mining jobs.

The board will attempt to "front-load" the cuts – that is, make as many closure announcments as possible in the next two years. That is for two reasons. First, the Coal Industry Bill specifies a two-year period within which the board must return to profit and provide its own funds. Second, board officials believe that the National Union of Mineworkers (NUM) will be unable to offer any effective opposition to a closure programme over that period.

A further weakening of the NUM, after its failure in the pit strike which ended in March, came on Friday with the decision by leaders of the 27,000 Nottinghamshire miners – most of whom worked throughout the strike – to form a breakaway union.

The NCB is set to open talks with the breakaway union with a view to paying its members a premium over other miners, and to restructuring the payments system.

The board's aim will be to create a new wages structure in the coalfield to give higher boons payments to the key face workers while ensuring that all the Notts miners enjoy a "loyalty differential" over other areas.

In discussions on the coming wage negotiations, the board has already developed the strategy of linking wage increases with productivity, thus increasing the differentials between areas. The Notts development now means that a new productivity-based wages structure, long an aim of Mr Ian MacGregor, the NCB chairman, is likely to be attempted, at least in that coalfield.

The NCB's most senior managers have received strong backing for their plans for the industry from Mrs Margaret Thatcher, the Prime Minister, who entertained them to dinner at Downing Street at the end of June.

Mrs Thatcher was particularly keen to encourage the board to develop further its NCB enterprises subsidiary, which has received £10m ($12.3m) funding and is charged with providing new jobs in areas hit by pit closures.

The board has already made clear that closures will go ahead, on economic grounds, without the agreement from the mining unions on a revised colliery review procedure. However, the NCB will adhere to the old review procedure, and will provide an adjudicator as a court of final appeal on closures that are opposed by the union.

The Notts decision to form the coalfield's own union marks the first break in the unity of the NUM since it was founded in 1944.

Notts officials believe the rift is now deeper than in the 1920s, because of the desire of groups of workers in either fields to join a new, moderately-led federation.

The group of miners and craftsmen in the north east of England which has already broken away from the NUM – the Colliery Workers and Allied Trades Association – will join with the Notts union. It may be followed by Leicestershire, South Derbyshire, the clerical section Cosa and groups from other coalfields.

Phillips Petroleum to sell 35% stake in North Sea's T-Block

BY DOMINIC LAWSON IN LONDON

PHILLIPS PETROLEUM, the U.S. oil company, is this week to begin an auction of its 35 per cent stake in T-Block which contains one of the largest accumulations of oil remaining to be developed in the North Sea.

The sale forms part of a plan by Phillips to raise $2bn by asset disposals, to fund the capital reconstruction used to fend off Mr T. Boone Pickens, the U.S. corporate raider.

T-Block is one of the most complex areas in the North Sea and despite the drilling of 15 wells since the discovery of an oilfield in 1976 the method of development is still undecided. The area contains between 300m and 700m recoverable barrels of oil in four separate accumulations.

Despite the area's complexity, an oil industry executive said: "Everyone will want to look hard at this rare opportunity." Most preliminary industry estimates put the value of Phillips' stake at about $100m with some going as high as $200m. In either case, it is the biggest North Sea asset sale since British Petroleum sold 13 per cent of its Forties field in 1983.

Phillips' partners, however, have pre-emptive rights enabling any of them to take over Phillips' stake by matching the highest bid in the auction. The other partners are: Agip of Italy, with 17.9 per cent; Petrofina of Belgium, 30 per cent; Century Power and Light with 8.6 per cent; and Lasmo with 8.5 per cent.

The two UK partners, Century and Lasmo, are believed to have held talks about pooling their resources to match the highest bid in the auction, but should Century and Lasmo succeed the group as a whole would then have to decide which company should operate and develop the field. Currently Phillips is the operator.

Britoil, the UK's largest independent oil company, struck a $30m deal with Texaco last month to buy into and operate a Texaco North Sea block containing oil. Britoil's evident desire to increase its presence as an operator of North Sea developments makes it a likely contender for Phillips' stake. British Petroleum is also seen as a potential high bidder.

The value of the bids will depend in large measure on how quickly the industry believes the fields could be developed, with production before 1990 a likely goal for any successful bidder. The largest field within T-Block, Tiffany, would cost about £600m to develop according to stockbrokers Scott Goff Layton. If all four fields were to be developed the capital cost would be at least £1.8bn, the brokers estimate.

This week Phillips opens up a data room on T-Block containing all the geological evidence the industry will need to make its bids.

Phillips has now completed $53m of its $2bn programme of asset sales and the company said last week that it expected to have "closed sales" worth $1bn by the end of the year. Phillips added that it had no plans to sell other parts of its interests in the UK sector of the North Sea, although it is negotiating to sell its interests in the Dutch sector.

U.S. to consider unitary tax ban

By Nancy Dunne in Washington

MR JAMES BAKER, the U.S. Treasury Secretary, is now considering whether or not to propose Federal legislation prohibiting the controversial state practice of taxing multinational companies on the basis of their worldwide earnings.

It has been more than 11 months since Mr Donald Regan, the former Treasury Secretary, gave the states which employ unitary taxation one year to make "appreciable progress" in ending the practice before recommending federal legislation that would impose such a ban.

Mr Baker, with other Treasury officials, is now studying the progress and is expected to make a recommendation by the end of the month.

Meanwhile, the state governments have been the focus of tremendous foreign pressure from multinationals which have threatened to limit expansion within their states or even to relocate to friendlier environs.

Since last July 30, six states have ended the practice of taxing foreign corporations on the basis of their worldwide earnings, and six have yet to act.

California is considered the key hold-out. There the state Senate last month passed a Bill allowing foreign companies to select unitary taxation or to elect an alternate "water's edge approach" which views a corporation's state activities as wholly separate.

A bipartisan working group of California legislators and state agency heads has been considering various schemes that would satisfy both foreign and domestic corporations and, at the same time, promote Californian trade. One proposal would assess an annual "election fee" for those corporations which want their taxes assessed through the "water's edge" method. The funds raised through the fee – an estimated $150m a year – would finance various state trade and development programmes.

California has moved repeatedly towards repeal, and came within a whisker of getting it passed last year. It is not certain that this year will bring success. The state legislature will take a one month summer recess on July 19. The final deadline for modifying a Bill in committee is August 30.

But Mr Baker's decision must be made well before that time.

He, unlike Mr Regan, is not facing the pressure of presidential politics, and he may decide that a proposal for federal legislation might be just what is needed to get the remaining unitary tax states to act.

Mexican opposition in pre-poll protest against election 'fraud'

BY DAVID GARDNER IN HERMOSILLO

MEXICO'S right-wing opposition National Action Party (Pan) blockaded municipal electoral offices across the north-western border state of Sonora at the weekend as Mexicans prepared to vote in what is widely seen as the most important test faced by the ruling Institutional Revolutionary Party (PRI) in 45 years.

The blockade was the latest attempt to protest against the electoral fraud Pan alleges is being prepared to deprive it of winning the governorships of Sonora and the central northern state of Nuevo Leon. The protests affected all Sonora's main towns, but by the time the polls opened yesterday morning army and police units had dispersed all of them except in Hermosillo, the state capital, and Agua Prieta, on the U.S. border, where frontier traffic was being stopped.

Agua Prieta, a town of 50,000 held by the Pan, was the birthplace of the PRI 56 years ago, in the aftermath of the Mexican revolution. Since then the party has held power without interruption.

The elections are the mid-term contest for Congress, seven of 31 state governorships, and more than 800 town halls. The PRI's hold on power is not at stake, but it faces an unprecedented challenge from the right at a time when its prestige is at an all-time low because of the mismanagement and corruption preceding the 1982 financial crisis and the austerity which followed.

President Miguel de la Madrid took office in 1982 promising more democracy and clean elections in a bid to reverse the PRI's unpopularity. But after losing a string of major cities to the Pan in 1982–83, the PRI again resorted to ballot rigging.

The PRI has never lost a state governorship before, though on at least two well-documented occasions it lost the vote.

Pre-election argument has, therefore, centred on the function of voting in Mexico's de facto one-party state and whether, if Pan victories are honoured, this will signal the end for the PRI.

In Sonora, Pan officials charge that attempts are already being made to wipe out what they say is a four-to-one margin in its favour. Some 19 of the candidates they put up in 63 municipalities have been disqualified on legal grounds, and PRI-controlled local electoral commissions have denied credentials to Pan election observers.

The Pan's other charges are that:

- The electoral register has been deliberately padded in pro-PRI areas. Pan officials have shown reporters copies of electoral rolls with duplicated names. In Divisaderos, 64 out of 208 voters are doubles, while in the mining town of Cananea, there are 22,239 voters out of 27,000 inhabitants, although, on average, 60 per cent of Mexico's population is below voting age.
- The PRI has deliberately reduced the number of voting booths to deter voters in Pan areas. The total has been cut from 1,155 in 1982 to 1,059 now. In Cuidad Obregon's seventh district, there is now one booth to accommodate 6,000 voters where there were three for 8,000 in 1982, when the Pan got 82 per cent of the vote. Pan officials claim voting there would take five-and-a-half days at one voter a minute, and this at temperatures which reach well into the high 40s at this time of year.

The Pan was expecting trouble yesterday in Hermosillo's Section 54 shanty town area, where their populist candidate for governor, Sr Adalberto Rosas, has picked up strong support despite the PRI's identification of the Pan with big business. In this area there are four booths, against seven in 1982, to accommodate 14,000 voters.

Sr Norberto Corella, Sr Rosas' campaign manager, said: "There is going to be trouble and we are not going to stop it." Army and police units were on full alert in anticipation of violence.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	26	79	Malaga	S	27	81	Salzburg	C	20	68
Akrotiri	S	27	91	Faro	S	28	82	Malta	C	26	79	Seoul	S	24	75
Algiers	S	29	84	Florence	S	30	86	Manila	C	31	88	Singapore	C	26	79
Amsterdam	S	19	66	Frankfurt	S	20	68	Miami	C	30	86	Stockholm	F	23	73
Athens	F	25	77	Funchal	C	23	73	Milan	S	29	84	Strasbourg	S	21	70
Bahrain	S	35	95	Geneva	S	23	73	Moscow	C	15	59	Sydney	F	14	57
Bangkok	S	33	91	Gibraltar	S	24	75	Munich	F	21	70	Taipei	S	30	86
Barcelona	S	27	81	Guernsey	S	17	63	Nairobi	C	21	70	Tangier	S	33	91
Beirut	S	27	81	Helsinki	T	13	55	Naples	S	29	84	Tehran	—	—	—
Belgrade	F	25	77	H. Kong	S	32	90	New Delhi	F	32	90	Tel Aviv	S	28	82
Berlin	S	20	68	Innsbruck	F	19	66	New York	S	29	84	Tenerife	F	24	75
Biarritz	S	28	82	Inverness	C	15	59	Nice	S	27	81	Tokyo	C	26	79
Blackpool	S	16	61	Istanbul	F	24	75	Oporto	S	26	79	Toronto	C	24	75
Bordeaux	S	26	79	Jersey	S	18	64	Oslo	F	20	68	Tunis	S	30	86
Brussels	F	20	68	Jo'burg	S	16	61	Paris	S	20	68	Valencia	F	31	88
Budapest	F	25	77	Las Palmas	F	25	77	Prague	F	15	59	Venice	S	27	81
B. Aires	S	12	54	Lima	C	16	61	Reykjavik	S	12	54	Vienna	F	25	77
Cairo	S	33	90	Lisbon	S	28	82	Rio de J'o	C	33	91	Warsaw	S	21	70
Cape Town	F	13	55	Locarno	S	27	81	Rome	S	28	82	Zurich	F	22	72
Caracas	S	26	79	London	F	20	68								
Casablanca	F	25	77	Los Angeles	C	30	86								
Copenhagen	C	19	66	Luxembourg	S	17	63								
Corfu	S	28	82	Madrid	F	29	85								
Dublin	C	17	63	Majorca	S	31	88								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

New attack on Thatcher

Continued from Page 1

Mr David Howell, former Tory Transport Minister, said that all the main indicators – unemployment, interest rates, taxes and inflation – had to fall by next year if the Government was to win the next general election.

The CBI said that the present buoyancy of the UK economy was based on many orders won by British businessmen before January's 4.5 percentage point jump in interest rates and the subsequent strengthening of sterling.

Although the CBI's own economists recently forecast real economic growth of 4 per cent this year, "industry will not prosper in an environment in which exchange rates appreciate by 20 per cent in a few months and when the pound stands at a two-year high against the D-Mark."

The CBI has been particularly incensed by the dusty answer from Mr Lawson to its demand, voiced nearly a month ago, for an immediate cut of two percentage points in interest rates. Yesterday's broadside specifically rebukes the Chancellor for "over-reaching himself" with his response – that employers should help themselves by restraining pay increases, instead of seeking lower interest rates from the Government.

THE LEX COLUMN

Boiling oil for chip-makers

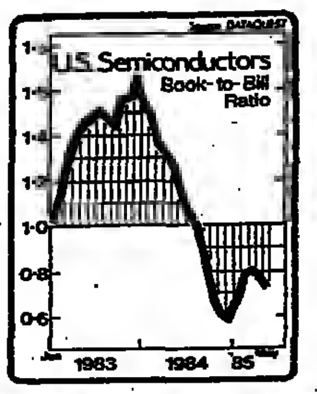
Amid the chaos and hysteria of the last fortnight's stock market assault on the electronics sector, one clear industrial factor stands out. British companies such as STC and Thorn EMI, through its Inmos subsidiary, have been savagely hit by the latest slump in the world semiconductor, or chip market. Inmos is not the only company laying off employees and working short-time; the research group Dataquest estimates that more than 14,000 people worldwide have been made redundant in the last six months, a reduction in employment of about 20 per cent.

As surely as night follows day, slump follows boom in semiconductors. And when the slump comes, manufacturers are left with plant that is almost as expensive sitting idle as it is at full capacity. A typical wafer fabrication plant costs between $100m and $200m to build – and in five years, it will probably be obsolete. When a customer can buy a chip for as little as 50 cents, it is not surprising that suppliers have to go for high volumes to recoup their investment. Both U.S. and Japanese suppliers, who between them have nearly 90 per cent of the $28bn market, invest heavily in production technology to stay ahead. Last year, encouraged by the excess of demand over supply, the industry invested over $6bn. This year, the figure is likely to be far lower, but the big companies still hope that they can cut costs enough through capital expenditure to force the smaller fry out of the market.

Oversupply

There remains a painful problem of oversupply, especially at the least sophisticated or "commodity" end of the range. With very high fixed costs and negligible marginal costs, producers are prepared almost to give their chips away. The price of a 64k dynamic random access memory (D-Ram) chip has fallen from around $3 at the end of last year to as little as 50c. The more complex 256k D-Ram can be bought for $2.50 compared with $18 eight months ago. At these prices, there is little, if any, profit margin left.

Along with this oversupply, the industry has also faced a fall-off in demand. Of the four main chip-using sectors – computers, consumer goods, telecommunications and industrials – the first seems to have enough trouble selling its existing stocks without making many more.



And the second is seeing its sales slow down, albeit less dramatically. The industry's book-to-bill ratio, which measures the relationship of orders to production has been less than one since last summer. Since prices fall by about 20 per cent a year in normal markets because of falling costs, the ratio should ideally average more than unity.

Financially, chip-producers are being hit from all sides. Expensive payments on equipment leasing eat into cash flow and if machines have been bought, they have to be depreciated over periods as short as five years, taking large chunks out of profits. Meanwhile, as capital expenditure strains the balance sheet, the fast-falling value of stocks is running down assets.

What makes this slump worse than the rest is the scale of expenditure needed to rise out of it. Until recently, companies could make money producing a commodity chip for three or four years until the next generation superseded it. Now it looks as if life cycles are shortening. The 256k D-Ram, for instance, has only been around for a year and already, consumers are holding back to buy the 1000k version, which should hit the market this year. At the same time, production of these more sophisticated chips is becoming more expensive. Soon, only the very biggest players in the commodity chip game, like Texas Instruments, Motorola, NEC and Hitachi, will have large enough economies of scale to be able to make money out of it.

It may be surprising, given how gloomy the picture is, that UK companies are involved at all. Some, such as GEC and Plessey, have stayed out of the commodity end, finding themselves niches in specialised chips, many of which they use in-house. Ferranti concentrates on semi-custom chips – tailored to specific customers – an area which has been partially insulated from the havoc at the bottom end.

In the UK, Inmos and STC have been the worst hit. Both make standard chips and have seen the prices of their products at least halve this year. Neither can hope to compete on the scale of the large U.S. or Japanese producers, and Inmos admitted as much on Friday when it announced that it would source its D-Ram production from Japan and Korea.

Until Inmos's transputer, or computer on a chip, comes on stream, profits will be hard to come by. STC, meanwhile, is busy investing £60m in a factory which will have to produce sales three times as large as the whole of STC's semiconductor division did last year for the investment to be recouped – a difficult enough task in a good market.

The national policy arguments which led the NEB to fund Inmos in the first place are still respectable. To some extent, improvements in chip design dictate advances in equipment design. And some people argue that custom chip producers need to be involved in improved technology at the bottom end of the market to keep abreast at the top. Finally, while it may be easy to buy chips now, ensuring a constant supply during a boom could be impossible without a domestic producer.

Co-operation

While UK production may be in the national interest, though, it is unlikely ever to be in an individual company's economic interest. No British supplier, except of the most specialised semiconductors, is ever going to be able to make decent returns over the long run because its fixed labour costs will be too high and its market too small. Even the European market, fragmented as it is, only accounts for just over 15 per cent of world semiconductor consumption. The irony is that if a British producer were big enough to survive and contribute to the national interest, it would have to sell most of its products in the U.S. and Japan. And European companies have not proved successful there. In the world's top 10, the only European chipmaker is Philips, which won its place by buying the U.S. manufacturer, Signetics. Ideally, Europe needs cross-border co-operation, a goal which is probably as difficult to achieve in chips as in fighter aircraft.

FINANCIAL TIMES
Monday July 8 1985

CREDITS

Euronotes now part of the financial scene

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

BUSINESS in the Euronote market continued to race ahead in the first half of this year, according to new figures compiled by the Euromoney Capital Markets Guide.

Euromoney, whose figures are currently the most comprehensive indicator of the level of market activity, reckons that new facilities signed in the first half totalled $18.7bn, more than the $17.4bn arranged in the whole of 1984.

Also $7.2bn in new deals are now awaiting signing, which makes a grand total of $52.3bn for all deals launched since 1978.

Bankers warn that these raw figures alone are somewhat misleading – only about $10bn in actual drawings have so far been made on Euronote facilities and many simply represent a consolidation of existing credit lines by borrowers. But many say that this year's activity appears to have established the Euronote concept as a permanent part of the international financial scene.

In volume terms, BankAmerica was the largest arranger of facilities in the first half with a total of $3.66bn. It was followed by Credit Suisse First Boston with $3.24bn, Merrill Lynch ($2.86bn) and Citicorp ($2.13bn), but a more relevant statistic may be that showing how U.S. and Australian corporate borrowers dominated the scene in the first half of the year.

U.S. borrowers signed facilities worth $7.45bn, which accounted for about 40 per cent of the total market, while Australian issuers arranged facilities worth $3.3bn. Also high on the list were UK borrowers with $1.85bn and Swedish borrowers with $1.43bn.

Last week, however, it was very much the British borrowers' turn again. As already reported, facilities or credits were announced by a number of corporate names including Blue Circle, Pergamon Press, Land Rover-Leyland and Club 24, the consumer finance unit of the J. Hepworth clothes retailer. (Only one of these deals, that for Blue Circle will be caught by future Euromoney figures, which exclude bankers acceptances and straightforward credits.)

Bankers say that a broad range of British companies are now beginning to follow the lead of their U.S. counterparts and putting their toe in the water for these new style facilities, which allow them to refinance existing standby lines at lower cost.

Future borrowers are expected to include Trusthouse Forte and Grand Metropolitan, though neither had awarded a mandate by the end of last week. Some companies may additionally be attracted by the very fine average price of 6½ basis points below Libid obtained by ICI on the first drawing under its $400m facility last week. But one *factor prompting* a degree of reserve among second-tier companies is that commitment fees on note facilities have risen since the Bank of England ruled in April that banks should provide capital backing for their underwriting commitments. For some borrowers this has eroded the cost advantage of a note issue over a traditional standby line.

Elsewhere, Greece's Public Power Corporation has now invited banks to submit bids on a $180m, eight-year credit for which it would like to pay a margin of only ½ per cent over Eurocurrency rates. This proposed margin has provoked much negative comment in the market. Many bankers believe that Greece is now over-borrowed, at least relative to lending imits of creditor banks, and needs to offer a considerable element of ⅝ per cent in any new deal.

INTERNATIONAL BONDS

New York surge puts traders in a spin

BY MAGGIE URRY IN LONDON

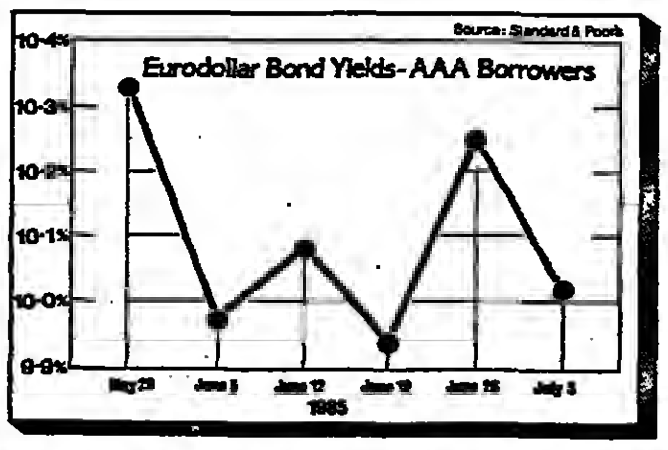
ANY EUROBOND trader who thought Friday was a good day to go to Wimbledon was badly wrong-footed. First a thunderstorm sent spectators running for cover; then their colleagues back at the office had to scurry to cover any short positions when the New York market unexpectedly surged by more than two points.

The Independence Day holiday on Thursday should have guaranteed a quiet end to the week. But with bond dealers in New York – at least those that had returned to work – pushing the market strongly ahead, the Eurobond market suddenly came to life again. Both the primary and secondary market was well up on Friday afternoon – although as usual the rise was much more sober than in the U.S.

As a result some of the new issues that had been served up earlier in the week and looked as if they were out of court, swerved to trade inside their fee discounts. Those issues which had been trading inside their fees already – such as Deutsche Bank's two deals – were looking like winners by the weekend.

Altogether the market is looking much more comfortable than it did two weeks ago. Even before Friday's run, yields had come down significantly, but today should see a lot more action if the New York rise is sustained. Paper already issued still looked cheap against U.S. Treasury yields at Friday's close. The *only drawback is that when Europe* lags a New York rise it makes arranging swaps for new deals tough. Even so a number of borrowers could be tempted to launch issues this week.

The *downward* trend in interest rates helped floating rate notes to firm on Friday, too, and even the little-loved rate-capped issues were beginning to pick up. Many of these deals – including last week's two for Bergen Bank and Bank of Yokohama – have traded outside their gross commissions. To certain types of investor, particularly the large Japanese banks, they are now looking distinctly cheap.



SHP Bank bond average		
July 5		Previous
103.663		103.623
High	1985	Low
103.663		99.840

A bank with a huge floater portfolio can usually find room for a small commitment to unusual deals such as these floaters, where a maximum interest rate is fixed. With the top rates set in the 12¾ per cent to 13 per cent area and interest rates falling, the maximum coupons look far off and some investors are prepared to forget them because of the floaters' other attractions.

First these *floaters generally* offer a better margin over the reference rate than conventional uncapped issues. And, unusually for floaters, many offer a number of years' call protection, sometimes the full life of the issue. Most conventional floaters are callable after a year or two and, as investors are discovering, many borrowers are now repaying floaters issued when margins were higher. Denmark taught the lesson again last week, calling its perpetual floater, issued only a year ago, because it has borrowed more cheaply since.

If these capped floaters do pick up further, no doubt many more borrowers will launch deals, attracted by the gains to be made by selling the caps on to the hordes of willing buyers who want to protect themselves against interest rate rises.

Excitement in the U.S. dollar sector has been matched by action in the Australian dollar market. A strong rise in the domestic market, high coupons and a general confidence in the currency has made for continued interest from the European retail buyers. The sector, which consisted of a couple of dozen issues only a few weeks ago, has blossomed into a market where more and more banks are trading.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
U.S.$	2,390.4	231.8	3,088.4	134.5
Prev	2,032.9	1.0	249.0	29.5
Other	1,199.1	—	341.2	44.5
Prev	852.2	18.6	216.3	4.0
Secondary Market				
U.S.$	22,587.0	842.8	14,754.1	1,767.9
Prev	18,174.9	818.1	12,069.3	3,279.6
Other	4,118.7	72.8	310.9	1,560.0
Prev	3,376.0	59.4	487.8	1,412.6

	Cedel	Euroclear	Total
U.S.$	14,023.4	32,340.5	46,363.9
Prev	10,764.6	25,899.6	36,664.2
Other	4,378.4	3,268.8	7,646.2
Prev	3,207.5	2,019.3	5,226.8

Week to July 4 1985 — Source: AIBD

However, there is the danger that too many deals might come at once, and on too fine terms, for the distribution channels to be able to keep the paper moving through to investors.

There were some signs of that happening last week when the South Australian Government Financing Authority asked for finer terms on an issue than ANZ Banking had achieved. Hambros Bank was the unlucky winner of the mandate and even though fees in this sector are *higher* than for U.S. dollar Eurobond new issues, this one rapidly fell to a level outside the 2 per cent commissions.

Friday afternoon saw a A$40m deal from Swiss Bank Corporation (*Australia*) which, like its U.S. dollar issue earlier in the week, does not have the usual syndicate structure. SBCI is the sole lead manager, there are no co-managers and only a group of underwriters.

The market for European currency unit bond issues has recovered from its dizzy spell to give a warm welcome to three issues this week. Walt Disney's deal was undoubtedly best of the crop, trading above its issue price, but those for Scandinavian Airlines System and Crédit Commercial de France were close behind. In the secondary market prices were up by as much as a point last week.

The D-Mark bond market is also more cheerful, with prices last week up by ½ point to ¾ of a point. Equity warrant issues especially those for Japanese borrowers, but also for German companies, were showing strong rises as both equity markets moved ahead.

However, the Export Development Corporation dual-curency issue – the first in the D-Mark Eurobond market – has not met much demand.

Due for launch today is the first yen dual currency issue, a Y15bn deal for Farm Credit Corporation of Canada. This will have a coupon paid in yen of 8⅝ per cent, while repayment will be made in U.S. dollars at an exchange rate *fixed* at current levels, to give a redemption amount of around *U.S.$60m*. The deal is led by Goldman Sachs with Nomura International running the books, and some other co-leads may join the group. It is to be linked to a swap which will give the borrower Canadian dollars.

The Swiss franc foreign bond market has lagged behind other sectors with prices barely up last week. New issues have generally met a good response, with UK companies seeming popular.

Sumitomo Bank's success in the Eurodollar convertible market – where its issue is trading around 107¼ – looks like being followed in the Swiss franc market. The indicated yield of 1⅜ per cent on the deal *is low by Swiss standards*. Investors who find it difficult to buy the shares in the Tokyo market are able to increase their exposure this way.

Turner attacks CBS share buy-back

By William Hall in New York

MR TED TURNER, the Atlanta broadcasting entrepreneur who is trying to take over CBS, the biggest television network in the U.S., has attacked CBS' plans to buy back more than a fifth of its shares.

Mr Turner's Turner Broadcasting System (TBS) is seeking the help of the U.S. Federal Communications Commission (FCC) to block CBS' defensive strategy.

TBS is asking the FCC to declare CBS' move in violation of the communications Act and to accelerate TBS' pending application to ensure CBS shareholders have an opportunity to consider the offer, which is valued at $514bn.

Mr Turner says CBS' recapitalisation plan attempts to emulate TBS' offer by proposing to sell some CBS assets, reduce corporate overhead and increase the return to shareholders. However, he says that "CBS' offer takes away far more than it gives shareholders. The poison pill provisions take away the shareholders' control over future CBS decisions." TBS is vigorously challenging the legality of these CBS moves as a transfer of control requiring prior FCC approval.

Argentine bank forced to close

BANCO JUNCAL, a small Argentine bank with 18 branches and approximately $5m in assets, was ordered to be closed by the central bank on Friday, marking the 10th such closure since April.

No reason has been given for the closure, but Banco Juncal officials said the central bank objected to its high proportion of fixed assets.

INTERNATIONAL CAPITAL MARKETS

U.S. MONEY AND CREDIT

Investors pin hopes on an easing of monetary policy by the Fed

IS THE Federal Reserve about to ease its monetary stance and cut its discount rate in order to revive the U.S. economy?

The question is in the minds of most U.S. bond traders as they return to work after last week's July 4 celebrations. By Friday, prices in the U.S. credit markets were once again being buoyed by hopes of an early cut in the discount rate.

Long-term government bond prices jumped by a point and a half on Friday following the relesease of surprisingly weak unemployment figures for June. The dollar fell in the world's foreign exchange markets as speculation mounted that another cut in U.S. interest rates was just around the corner.

By late Friday bond prices, which earlier in the day had looked as though they might hit new peaks, were giving up some of their gains following the release of the weekly U.S. money supply figures showing that M1 rose by a surprisingly large $2.6bn.

It is now around $12bn above the Fed's target range, and several analysts argue that this indicator of the U.S. money supply is now almost totally out of control. When the Fed releases its monthly M2 and M3 figures later this week, many analysts fear that these broader-based money supply indicators will lalso show signs of beginning to grow rapidly.

The key question for the credit markets is whether the recent decline in interest rates has been sufficient to spur the economy to the extent that it will not be necessary to ease credit further. Concern about the growth in the monetary aggregates is less immediate.

The Reagan administration already seems to have accepted that it will not be able to meet its 3.9 per cent target for growth in gross national product this year. After its 0.3 per cent growth in the first quarter and 3.1 per cent growth in the first quarter and 3.1 per cent growth in the second quarter, the economy would have to grow at a 6.1 per cent annual rate in the second half.

While the recent behaviour of the credit markets indicates that most investors think the Fed will be forced to ease its monetary grip at some stage, the performance of rates at the shorter end of the market is puzzling.

The Fed's open market operations have been more than usually difficult to read over the last few days. The Fed funds rate has been firm and traded above 8 per cent for much of the time. The firmness of Fed funds may be partly explained however by technical factors.

But judging by its own money market operations, the Fed does not seem to have been particularly anxious to bring short-term rates down. Aubrey G. Lanston says in its latest weekly market letter that over the past week the Fed appears to have tilted its policy stance away from aggressive accommodation in favour of a more neutral posture.

The firm describes the move as "more of a shading in policy tone rather than a Fed move significantly to tighten reserve pressure." In common with several observers of last week's open market operations, Lanston's notes that the Fed's growing reluctance to meet bank reserve needs aggressively was particularly evident on Monday and Wednesday of last week, when the authorities took no action despite a very tight funds rate and the indicated need for permanent reserve-adding operations in the new bank settlement period.

Against this background, most analysts who were still at their desks last Friday were being exceedingly cautious about committing themselves ahead of this week's meeting of the Federal Open Market Committee (FOMC), scheduled to start tomorrow.

However, Salomon Brothers' Mr Henry Kaufman believes that the FOMC will probably vote to adopt a "more accommodative postore" following the news of the "very slow employment growth in June and a substantial downward revision in May's strong figure."

The initial step will "probably be to move aggressively to keep the Federal funds rate in the 7 per cent to 7½ per cent range, while the final step would be to cut the discount rate to 7 per cent." However, Mr Kaufman argues that the Fed could postpone that action for a week or so, pending further confirmation of a sluggish economy and the expected summer slowdown in M1 growth.

In choosing the timing for a discount rate cut, the Fed will be keeping an eye on several key dates. Next Friday's June retail sales figures will provide an important clue to the strength of the economy and Salomon Brothers argues that Mr Paul Volcker, the chairman of the Federal Reserve, may want any change announced before he testifies in front of the House Banking Committee on July 17.

However, not all of Wall Street's Fed watchers are as convinced as Mr Kaufman about the Fed's intentions. Aubrey Lanston says that despite the latest sluggish economic figures, "it would be premature to conclude that another Federal Reserve easing move is just around the corner."

It believes that the Fed policy makers are likely to adopt a "wait and see" approach and would prefer to get a better fix on the extent to which third-quarter economic activity is responding to earlier Fed easing actions before considering further easing steps.

As the credit markets wait to see what happens in the aftermath of this week's FOMC meeting the only conclusion which can be offered with any degree of certainty is that if there is no signs of apparent easing in Fed policy there will be considerable disappointment amongst investors who have chased bond prices up to levels which already discount a cut in the bank rate.

William Hall

U.S. MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	8.21	7.87	7.80	11.72	7.10
Three-month Treasury bills	6.76	6.83	7.17	10.77	6.67
Six-month Treasury bills	6.78	6.96	7.27	10.93	6.81
Three-month prime CDs	7.37	7.50	7.50	11.80	7.33
30-day Commercial Paper	7.45	7.50	7.35	11.38	8.95
90-day Commercial Paper	7.38	7.50	8.30	11.40	7.00

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	102¾	+ 1¼	9.83	10.05	10.16
20-year Treasury	102⅞	—	10.40	10.61	10.62
30-year Treasury	109	+ 1¼	10.27	10.49	10.53
New 10-year "A" Financial	N/A	—	10.75	10.75	10.75
New "AA" Long utility	N/A	+ 1¼	11.15	11.35	11.25
New "AA" Long industrial	N/A	+ 2¼	11.00	11.25	11.13

Source: Salomon Bros (estimates).
Money Supply: In the week ended June 24 M1 rose by $2.6bn to $591.9bn.

UK GILTS

Gains tax move catches brokers unawares

INDEX-LINKED stocks finally got the boost last week that many had been predicting, although none had forecast the trigger.

Rumours of impending changes to the Finance Bill to discourage the establishment of tax losses in the gilt-edged market had been circulating for weeks. But the abolition, rather than amendment of capital gains tax on gilt-edged and corporate bonds, caught the market unawares. After the initial confusion, when the entire market moved higher, the improvement in the relative tax position of index-linked and conventional low-coupon stocks brought the expected shift in their relative values.

Brokers were divided on what the change would mean for the liquidity of the market. Clearly, the insurance funds, at which the abolition move was aimed, will find gilt-edged stocks less attractive.

Against that, trading funds, which will no longer have to wait for a year and a day to avoid capital gains law, may find the market a more attractive proposition.

The general view leaned towards less, rather than more liquidity, although the picture is clouded by the fact that the new rules do not come into effect until July 1986. This suggests there may be further relative price moves to come.

Mr Brian Draper of James Capel, for example, believes there may be scope for another half point adjustment between high and medium coupon stocks.

The boost provided by last week's announcement aside, the index-linked sector of the market is still languishing close to its lows of the year, despite the valiant efforts of some brokers to revive interest among fund managers.

Worries about higher retail price inflation — albeit considered temporary — over the longer-term implications of rising pay awards, and the increasing focus on the next General Election, should add up to a recipe for buoyant demand for index-linked stocks.

As an analysis by one broker indicates, a high-rate taxpayer has to assume that inflation will be below 4 per cent to prefer a short-dated conventional stock over an index-linked issue of the same maturity.

Even for non-tax paying funds and longer maturities, the inflation rates implied by the relative values of index-linked and conventional stocks are remarkably low.

There are a number of plausible explanations for the conventional market's better performance. Some investors may still be discouraged by the sharp fall in index-linked issues after the Government's Budget retreat from pension fund taxation. And while foreign buying has underpinned conventional stocks, overseas investors have still to come to grips with the index-linked sector.

Many believe, however, that there has been a more fundamental drag on the performance of index-linked stocks — the propensity of the Government Broker to fund in the sector at every possible opportunity.

So far this year £2bn nominal of index-linked stock has been issued, boosting the size of the sector by around 30 per cent. More important, the gap between the exhaustion of one stock and the issue of another has never been greater than a week, and frequently less than that.

The result is that, unlike many sectors of the conventional market which are deliberately left untapped for a time, the index-linked sector is rarely allowed a fair run before being flattened with a new batch of stock.

It should be said that because the index-linked sector anyway tends to move in fits and starts, it is difficult for the authorities to judge just when a rally may run out of steam.

And the funding policy of the past few months has focused on filling in maturity gaps with small tranches of stock to encourage switching, rather than on large issues in any particular range.

The Bank of England has also indicated its willingness to make a two-way market in index-linked stock. But many believe that the touch has not been light enough and that a more sensitive approach is needed to lure investors into what should be a very tempting market.

Philip Stephens

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	108¼	+0¼	10.59
AIOC 11 89	75	103	+0¼	9.92
AIOC 11¾ 90	100	101¼	0	11.47
Amer Savings 12 89	125	103¼	+0½	10.81
Amer Savings 12¾ 89	100	100	+1¼	10.90
Asian Dev Bk 11¾ 93	100	108⅝	+0¼	10.58
Australia 11¾ 90	100	105½	+0¼	9.84
Australia 11¾ 95	300	107¼	+0⅞	10.31
Australia 11¾ 98	100	109¼	+0¼	10.28
Austria 15½ 88	75	113	+0¼	9.72
Avco Fin 13¾ 81	100	108	0	11.38
Bk Nova Scotia 13¾ 87	100	105¾	+0¼	9.85
Bank of Tokyo 12½ 92	100	105¾	0	11.06
Bank of Tokyo 19⅝ 91	100	113¾	+0¼	10.60
Bank of Tokyo 13¾ 89	100	111¼	+0¼	10.34
Bergen Bank 11½ 90	75	101½	+0¼	11.05
BP Capital 11¾ 92	150	102⅛	+0¼	10.55
Br Col Hydro 11¾ 93	200	106½	+0⅞	10.51
Br Col Hydro 12½ 14	200	111½	+0½	11.47
Br Col Hydro 12¾ 19	250	111¼	+1	11.46
Britoil Fin 11⅞ 50	125	100⅞	+1	10.59
Caisse Nat En 11¾ 95	125	106¼	+0½	10.67
Canada 10⅞ 88	500	100¼	+0¼	8.33
Casio Computer 5⅞ 89	60	118½	0	0.77
CBS Inc 11¾ 92	100	103	+0⅞	10.74
Centrust S & L 0 10	1bn	6½	+0¼	11.75
Chesebrough 12 93	100	102½	−0¼	11.46
Chrysler Fin 13¾ 94	150	107¼	0	11.87
Citicorp O/S 10¾ 90	100	101¾	+0⅞	9.92
Citicorp O/S 11¾ 90	100	104¼	+0¼	10.53
Citicorp 11¾ 92	100	100¾	+0¼	10.70
Citicorp 11¾ 97	200	102½	+1¼	11.33
Citicorp O/S 14 94	100	104¼	+0¼	13.19
CNCA 11¾ 92	125	103¼	+0⅞	10.56
CNCA 13¾ 91	100	111	+1¼	10.63
Coastfed Int 12¾ 88	125	104	+0¼	10.53
Coca-Cola 11¾ 88	100	106¼	+0⅞	9.45
Comp Bancaire 13⅞ 90	75	111½	+1	10.73
Comsat 12¾ 91	100	100¾	−0¼	11.22
Creditanstalt 13¾ 91	100	108¾	+0¼	11.00
Dai-Ichi Kangyo 12¾ 90	100	108¾	+0¼	10.58
Denmark 10⅞ 90	100	100	+0¼	10.94
Denmark 11¾ 92	100	100	+1	10.61
Denmark 12½ 92	250	101¾	+0¼	12.34
Denmark 13 92	100	102	−0⅞	12.49
Denmark 13¾ 91	100	111⅝	+0¼	10.98
Denmark 13⅞ 88	100	110	+0¼	8.95
Denmark 14 91	100	110¼	+0¼	11.54
Digital Euro 11¾ 89	150	105	+0¼	10.02
Dutch St Mines 11¾ 91	150	101¾	+0¼	10.95
Eksportfinans 11¾ 92	100	103¼	+0¼	10.53
Eksportfinans 11½ 90	100	104¼	+0¼	10.36
Elec de France 11¾ 93	100	103¼	+1	10.50
Elec de France 12¾ 87	150	106½	+0¼	9.42
EEC 11 87	350	103¼	+0¼	9.23
EEC 11¾ 90	100	103¾	+0¼	10.13
EEC 12 93	100	109	+0⅞	10.31
Elf-Aquitaine 10¾ 89	100	100¾	+0¼	10.54
Ericsson L M 10¾ 88	100	101¼	0	9.64
Euro Inv Bk 11½ 90	200	105¾	+0¼	10.13
Euro Inv Bk 11¾ 91	73	101	+1¼	11.33
Euro Inv Bk 12¾ 90	100	108⅞	+0¼	10.06
EDC 9⅞ 89	200	101¼	+0¼	9.47
EDC 10 88	125	101¼	0	9.30
EDC 10¾ 88	100	103	+0¼	9.31
EDC 11¾ 89	150	103⅞	+0¼	8.76
EDC 12 89	100	106½	+0¼	10.04
EDC 13¾ 87	100	107¼	+0¼	9.26
Fed Dept Store 11 50	100	102⅝	+0¼	10.22
Finland 11½ 88	100	104¼	+0¼	9.37
Finland 12¾ 94	75	109½	+0⅞	10.58
Finnish Export 12¾ 87	75	106¼	+0¼	9.50
Firstfed Mich 13¾ 88	125	107¼	+1¼	10.92
Florida Fed 12⅞ 89	100	104	+0¼	11.02
FNMA 11½ 91	300	103¼	+0½	10.71
Gen Elec Cred 0 86	600	32¼	+1¾	10.88
Gen Elec Cred 9¾ 91	100	99¾	+0½	9.91
Gen Elec Cred 10¾ 90	200	101	+0¼	10.22
Gen Elec Cred 11 91	200	103¼	+0¼	10.21
Gen Elec Cred 11¾ 87	200	104	+0¼	10.92
Gen Elec Cred 12 94	200	105¼	+0¼	11.05
Gen Foods Cap 11¾ 90	75	104¾	+0½	10.18
General Mills 12 91	100	104½	+0½	10.96
GMAC 10 88	200	100⅞	+0¼	9.57
Gen Motors Acc 10½ 90	200	101¾	+0¼	10.00
Gen Motors Ac 11¾ 90	100	104¼	+0¼	10.29
Gen Motors Ac 12¾ 88	200	101¾	0	8.84
Gen Motors Ac 13 66	200	104¼	+0¼	8.46
GTE Finance 12 98	75	101¼	0	11.75
Gulf Oil 10¼ 94	100	100¾	+0¼	10.10
Gulf Oil 12¾ 87	100	101⅞	−0¼	11.45
GZB 14 81	100	110⅞	+0⅞	11.39
Holl Alt Fin 12¾ 91	100	103¾	0	11.35
Household Fin 11¾ 92	100	102¾	+0¼	11.01
IBM 9¾ 89	200	100¼	+0¼	9.53
IBM (WTC) 10¾ 89	300	101¾	+0¼	8.77
IBM Credit 11 89	100	104¼	+0⅞	9.77
IBM Credit 18⅞ 87	100	102⅞	−0¼	13.23
IBM 12¾ 92	200	108	+0¼	10.59
Ind Bk Japan 10¾ 92	100	104⅞	+0½	9.73
Ind Bk Japan 10⅞ 95	100	105	+0¼	10.02
Ind Bk Japan 11¾ 89	125	100¼	+0¼	10.01
Ind Bk Japan 11⅞ 91	100	107¼	−0¼	10.18
Ind Bk Japan 13⅞ 91	125	114¼	+0¼	10.54
Int-Amer Dev 12¾ 91	150	109⅝	+0⅞	10.56
Int-Amer Dev 11¾ 84	200	100⅞	+1	10.81
Int Paper 12 91	75	104¼	+0¼	10.81
Int Stand Elec 0 97	112	26⅞	+0½	12.17
Int Stand Elec 12 98	75	102⅝	+1¼	11.40
ITT 11¾ 89	125	104¼	+0¼	10.25
ITT 12¾ 84	100	106¾	+0¼	11.23
Japan Airlines 12½ 94	10	111¾	+0¼	10.40
Japan Dev Bk 11⅞ 91	100	104	0	11.20
Kellogg Co 10⅞ 90	100	102¾	+0¼	10.05
Kellogg Co 11¾ 92	100	103⅞	+0¼	10.37
Kimberly-Clark 12 04	100	107¾	+0¼	10.65
Kyowa Fin HK 12⅞ 90	100	107¾	−0¼	10.72
Long Term Cred 10¾ 90	100	102¾	+1	10.10
Long Term Cred 11 90	100	102⅞	+0½	10.17
Long Term Cred 11⅞ 89	100	105	+0¼	10.17
Long Term Cred 12 90	75	106¾	+0¼	10.46
Long Term Cred 12 93	100	107¼	+0¼	10.65
Macy R H 11¾ 81	100	104¾	+0¼	10.57
Macy R H 11¾ 95	100	104¼	+0¼	10.96
Marubeni 11¾ 91	100	100	+1½	11.34
McDonalds Fin 11¾ 94	75	103¾	+0¼	10.90
Merrill Lynch 12½ 84	100	104¾	+0¼	11.72
Minebea 6¼ 89	100	117	0	1.42
Mitsubishi 5⅞ 88	100	95	0	7.46
Mitsubishi Co 10¾ 92	100	98⅞	−0¼	10.72
Mitsubishi Cp 10⅞ 95	200	99⅝	+0¼	10.73
Mitsubishi Co 12½ 81	100	110½	+0¼	10.02
Mitsui Eng 7¾ 88	50	101	0	6.83
Mitsui Fin 12¾ 92	100	100¾	−0⅞	12.64
Mitsui Tst Fin 12 91	100	105⅝	−0⅞	10.70
Mobil Corp 10¾ 90	200	101½	+0⅞	9.84
Montreal City 12½ 91	70	107¾	+0¼	10.68
Mgn Guaranty 12¾ 89	150	106½	+0¼	10.68
Morgan J P 11¾ 92	100	102¾	+0¼	10.62
Mount Isa Fin 13¾ 87	100	106⅞	+0¼	8.84
Ned Gasunie 11¾ 90	75	104⅞	+0¼	9.99
Ned Gasunie 11¾ 91	75	103½	+0⅞	10.38
N Eng Lf Mtg 11¾ 98	149	105⅞	+1¼	10.71
Newfoundland 13 91	75	108⅞	+0⅞	10.94
Nippon Crd Bk 13⅞ 89	100	111	+0¼	10.33
Nippon Tel Tel 11¾ 90	100	106¼	+0¼	9.83
Nippon Tel Tel 13³⁄₃₂ 04	150	109¾	0	12.15
Nissho-Iwai 6½ 89	10	100	0	6.48
Nomura 6¼ 89	100	168	0	−9.57
Nova Scotia 11¾ 91	100	102¼	+1¼	11.00
Nova Scotia 11¾ 98	100	106¾	+0½	10.65
Oester Post 12¾ 89	75	108¾	+0¼	10.11
Ohbayashi-Gumi 7¾ 89	90	129	0	0.04
Ontario Hydro 11¾ 94	200	106⅞	+0¼	10.35
Ontario Hydro 11¾ 90	200	107¼	+0¼	9.88
Ontario 12½ 94	250	111¾	+0½	10.88
Pacific Gas & El 12 00	75	104¼	+2	11.33
Penney J C 11⅞ 90	100	105⅝	+0¼	10.53
Penny J C 12¾ 91	100	109¾	0	10.88
Phillips Petrol 14 89	200	104⅞	+0¼	12.53
Postipankki 11¾ 90	75	102⅞	+0¼	10.49
Post-Och Kred 13¾ 87	50	106⅞	−0¼	10.05
Privatbanken 12¾ 95	100	99	0	12.90
Prudential Ins 12¾ 87	150	108¾	+0¼	9.39
Pru Rlty Secs 0 98	365	23¾	+0½	11.26
Pru Rlty Secs 11⅞ 92	386	104¾	+0¼	10.87
Pru Rlty Secs 12¾ 85	546	107⅞	+0¼	10.89
Quebec Prov 12¾ 84	190	107	+0½	10.84
Queensland Gvt 11¾ 89	100	100½	+0¼	10.09
RBC 12¾ 90	100	102¾	+0¼	11.89
Rural Bk Aust 12 91	50	103	+0¼	11.21
Sanwa Bank 11⅞ 92	150	104¾	+0¼	10.76
Saskatchewan 10¾ 92	100	101¾	+0¼	10.37
Saskatchewan 10¾ 90	125	102¾	+0¼	9.96
Saskatchewan 11⅞ 89	100	106½	+0¼	9.69
Saskatchewan 15 92	150	116¾	−0⅞	11.00
Saskatchewan 16 89	125	116⅞	0	10.23
Scot Int Fin 14¾ 98	50	111	−4¾	12.36
Sears O/S Fin 0 98	500	24⅞	−0¼	11.28
Sears Roebuck 10¾ 91	150	101	−0⅞	10.26
Sears Roebuck 11¾ 91	150	106½	+0¼	10.10
Sec Pacific 12 82	100	105¾	+0¼	10.82
Shearson/Amex 12¾ 94	100	104½	−0¼	11.29
Shell (Canada) 14¾ 92	125	112¾	+0¼	11.56
Signal Comps 11¾ 92	125	103⅞	+0⅞	10.97
Standard Oil 10½ 89	150	101	+0¼	10.10
Statoil 12 88	100	106¾	+0¼	8.25
Sumitomo Corp 10¾ 92	100	100¾	+1¼	10.48
Sumitomo Fin 11¾ 92	150	105	+0¼	10.84
Sumitomo Fin 12¾ 91	150	108⅞	+0⅞	10.91
Sumitomo Trust 12½ 92	100	106	0	11.14
Sweden 11½ 89	200	100¼	+0¼	10.08
Sweden 12⅞ 89	200	107¼	+0⅞	9.92
Swedish Export 10¾ 94	100	102¾	+0¼	10.30
Swedish Export 11¾ 89	100	104¾	+0¼	8.04
Swedish Export 12¾ 89	100	104⅞	0	11.21
Taiyo Kobe 11⅞ 90	100	100⅞	+1¼	10.61
Taiyo Kobe 12 90	100	105¾	+0¼	10.62
Tenneco Intl 11¾ 89	150	103¼	+0¼	10.22
Texaco Capital 10¾ 90	200	100¼	+0¼	10.44
Texaco Capital 10½ 83	200	100⅞	+0½	10.32
Texaco Capital 13½ 89	200	109½	+0¼	10.54
Texas Instru 11⅞ 91	150	103¾	+0¼	10.92
Tokai Asia 12¾ 91	100	105¾	−0¼	10.76
Tokyo Electric 8½ 89	70	92	0	9.12
Tokyo Electric 13¾ 88	100	110½	+0¼	10.09
Toray Inds 11¾ 92	50	100⅞	+2¾	11.07
Toronto-Dom 12⅞ 89	50	106	+0¼	10.80
UBS 12¾ 91	100	104¾	0	11.21
Utd Tech 11¾ 92	150	103¾	+0¼	10.43
Veba 8 89	70	130	+4	3.72
West LB 11⅞ 90	100	104¼	+0¼	10.87
Westpac 12⅞ 92	100	106	0	11.25
Weyerhaeuser 11½ 90	60	101¾	0	11.01
World Bank 11 92	300	102⅞	+0¼	10.36
World Bank 11¾ 90	200	104¾	+0¼	10.11
World Bank 11¾ 93	200	104½	+0¼	9.78
World Bank 12 93	200	108⅞	+0¼	10.37
World Bank 12¾ 84	150	110	+0¼	10.50
World Bank 12⅞ 94	200	112⅝	+0⅞	10.64
Yasuda Trust 12½ 89	100	108¼	+0¼	10.29

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ¼ 98	100	100¼	+0¼	8¼
Arab Bank Cpn ¼ 96	100	100	−0¼	10⁵⁄₁₆
Banca Lavora ¼ 91	100	100¼	0	9¼
Banco di Roma ¼ 91	150	97¾	−2¼	7¹³⁄₁₆
Bank di Roma ³⁄₁₆ 92 CU	75	99½	0	10⁵⁄₁₆
Bankers Tr NY ¼ 94	200	100¼	0	7⅞
Bank of Greece ¼ 94	150	98⅞	0	9⅝
Bank Montreal ¼ 94 £	100	100⅞	+0⅞	12¹³⁄₁₆
Bqe Nat Paris ¾ 88	400	101¼	+0¼	10⁷⁄₁₆
Bqe Nat Paris ¼ 89	250	100¼	0	8¹³⁄₁₆
Bqe Nat Paris ¼ 96	250	100½	0	9¼
Barclays O/S ¼*	600	100¼	−0⅞	9¼
BBL ¼ 95	100	100½	0	8¾
BBL ¼ 99	100	100¼	0	9¼
BCI ¼ 96	300	100	0	9⅞
BFCE ¼ 87	400	100½	0	9¹³⁄₁₆
BFCE ¼ 88	500	100¼	0	9½
BFCE ¼ 99	600	100⅞	0	10⁵⁄₁₆
Belgium ⅛ 04	400	100¼	0	9¼
CCCE ¼ 05	200	100	0	8⅞
CEPME ¼ 96 £	100	100¾	+0¼	12¹¹⁄₁₆
Chase Manhattan ¼ 09	400	99⅞	0	7¹⁵⁄₁₆
Chemical NY ⅛ 99	300	102¼	+0⅞	7⅞
Citicorp O/S ¼ 91 £	100	59¾	0	12¼
Citicorp Pen Psn ¼ 97	250	100	0	8¹³⁄₁₆
Commerzbank ¼ 89	150	100¼	0	8¼
Creditanstalt ⅛ 98	150	100⅞	0	9¹³⁄₁₆
Credit Comm ¼ 98	250	100¼	0	9¹¹⁄₁₆
Credit Foncier ¼ 00 £	100	100½	0	13½
Credit Lyonnais ¼ 96	300	100⅝	+0½	8¼
Credit Lyonnais ¼ 99	250	100¼	0	8⅝
Credit National ¼ 95 £	100	100¼	+0¼	12¾
Dai-Ichi Kangyo ¼ 96	150	100¼	+0¼	8¹³⁄₁₆
Denmark ¼ 90	250	100¼	0	9⁷⁄₁₆
Denmark 0 99	200	99¾	0	9⁵⁄₁₆
Denmark ⅛ 90	500	100⅞	0	9⅝
EEC ¼ 90	2bn	100⅞	0	9⅝
Eldorado Nuke 0 89	100	100¼	0	9¹³⁄₁₆
Elec de France ¼ 99	300	100	−0¼	8½
Elec de France ¼ 89	400	100¼	0	10
ENEL ¼ 93 £	100	100¾	+0¼	12¾
Exterior Intl ¼ 98	125	98¾	+0⅞	7⅞
Ferro del Stat ¼ 99	250	100¼	0	10⁵⁄₁₆
Fiat Finance ¼ 04	100	99⅝	−0½	9⅞
First Chicago ¼ 94	100	99¼	0	9⁵⁄₁₆
First Chicago ⅛ 97	150	99¾	−0¼	8¹³⁄₁₆
Ford Motor Cr ¼ 91	200	100¼	+0¼	9¹³⁄₁₆
GW O/S Fin ¼ 94	100	99⅝	0	10⅞
Grindlays ¼ 94	100	100¼	0	8⅞
INI ⅛ 00	150	100⅞	0	9¹³⁄₁₆
Interfirst Tas ¼ 88	100	97¾	0	8⁹⁄₁₆
Ireland ¼ 93 £	50	100⅞	+0¼	12¹³⁄₁₆
Ireland ⅛ 04	300	100¼	0	9⅞
Ireland ¼ 96 £	100	99⅞	−0¼	12⅝
Ireland ¼ 97	300	100¼	0	10⁵⁄₁₆
Italy ¼ 84	1bn	100¾	0	8⅞
Italy ¼ 99	500	100¾	0	10⁵⁄₁₆
Kleinwort Benson ¼ 96	100	100⅞	0	10⅝
Korea Exch Bk ¼ 04 £	100	98⅞	0	12¹³⁄₁₆
Lincoln S & L ¼ 99	100	100	+0⅞	8¼
Malaysia ¼ 93	850	100¾	0	9⁵⁄₁₆
Malaysia ¼ 09	600	99½	−0½	7¹⁵⁄₁₆
Man Hanover ¼ 94 £	75	98¾	0	12¾
Marine Midland ¼ 94	125	100	−0⅞	9¾
Marine Midland ¼ 96	125	100	+0⅞	7¾
Marine Midland ⅛ 09	150	100¼	+0¼	8
Mellon Bank ¼ 96	250	100⅝	0	8
Midland Intl ¼ 99	200	100¼	0	10⅞
Mitsui Fin ¼ 96	100	100¼	0	10¾
Morgan Grenfell ¼ 94	90	100	+0⅞	8
Mtg Intermar ¼ 10 £	50	100	0	13½
Nat Bank Canada ¼ 91	50	100	0	9⅝
Natl Bank Den ¼ 96	100	99¾	0	8⅜
Nat West Fin ¼*	500	100⅝	0	9¼
Neste Oy ¼ 94	100	100¾	0	10
New Zealand ¼ 87	350	100½	0	9¼
NZ Steel Corp ¼ 92	300	100⅞	+0¼	9½
Oster Ln Bank ¼ 99	100	100¾	+0¼	9⅝
Oko Bank ¼ 92	50	99¾	+0¼	7¹³⁄₁₆
Portugal ¼ 92	100	99⅞	0	9⅞
Quebec Hydro ¼ 94	200	100¼	+1	9⁵⁄₁₆
Queensland Coal ¼ 96	355	100¼	+0¼	9
Renfe ¼ 91	100	100½	0	10⁵⁄₁₆
Sanwa Intnl ¼ 92	150	100	0	8⁹⁄₁₆
SEAT ¼ 93	100	100	0	8⁵⁄₁₆
Security Pac ⅛ 97	250	99½	−0¼	9¾
Skopbank ¼ 94	75	99¼	0	9¼
SNCF ¼ 93 £	75	100½	+0¼	12⅞
Soc Generale ¼ 95	250	100⅝	0	10⁷⁄₁₆
Soc Generale ¼ 94	250	100¼	0	10⁵⁄₁₆
Sosin ¼ 93	200	100⅝	0	10⁵⁄₁₆
Sosin ¼ 97	250	100½	0	10
Standard Chart ¼ 94	200	100⅞	0	9¼
Sumitomo Trust ¼ 04	100	100½	0	8⁵⁄₁₆
Sweden ¼ 99	500	99½	0	9¼
Sweden ¼ 03	1bn	100¼	0	8¾
Sweden ¼ 05	700	99¼	0	9⁵⁄₁₆
Sweden ¼ 24	500	100	−0¼	10⁵⁄₁₆
Sweden ¼*	750	100¼	0	9⁷⁄₁₆
Tokai Asia ¼ 98	150	100¼	0	8⅝
Toyo Trust Asia ¼ 99	100	100¼	0	8
TVO Power ¼ 04	100	98½	−0¼	7⅝
Union Bank Norw ¼ 99	60	97⅞	0	9¹¹⁄₁₆
Wells Fargo ⅛ 96	50	94	−5½	8¼
World Bank ¹¹⁄₃₂ 89	250	98⅝	0	7¹⁵⁄₁₆
Yorkshire Int ¼ 94 £	75	99⅞	0	12¼

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	98	−0⅞	
Bast Denki 5⅞ 87	15	133	−14	−20.58
Canon 7 97	50	158¼	+1	0.42
Daiwa Secs 5½ 93	80	207	+12½	0.72
Dev Bank Sing 5⅞ 98	70	75	0	19.09
Elders 11¾ 94	160	104	+0½	46.83
Elektrowatt 5 93	52	99¾	+3¼	8.37
Fujitsu 3 98	130	83⅞	+0⅞	7.13
Intec Inc 3 99	50	85	−1¼	7.18
Kumagai Gumi 3½ 00	80	112⅞	−3	−1.66
LASMO 9¾ 99	45	93½	−1¼	
Moet-Hennessy 7 99	50	101¾	+1	2.72
Murata Mfg 3½ 00	100	90¾	−2¼	5.10
Nippon Oil 3¾ 99	50	95½	+8½	9.25
Ono Pharm 3¾ 98	60	82	−7¾	−5.16
Soc Gen Surv 4½ 94	51	106¾	0	131.84
Sumitomo Corp 2¾ 99	70	122¾	+3¼	−0.04
Texaco Capital 11⅞ 94	1bn	100⅞	−0¼	41.25
Texaco Capital 11¾ 04	500	106⅞	−0¼	42.28
Tsugami Corp 3¾ 00	20	76	−2	−68.96
Yamaichi Sec 3¾ 90	20	150	+7¾	−6.10

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7¾ 94	15	102	+0¼	7.05
Avon Products 6⅞ 91	26	98¾	+0⅞	7.10
Denmark 5¾ 92	20	98¾	+0¼	6.96
Dow Chemicals 7 94	50	100¾	+0¼	6.89
Eurofima 7¾ 94	10	102	+0¼	7.05
Eurofima 6⅞ 92	10	98⅞	+0¼	6.95
FNMA 6⅞ 92	50	99¾	+0¼	6.96
GMAC 6½ 90	25	99¾	+0¼	6.65
Intel 6⅞ 92	13	97¾	0	7.13
IADB 7¾ 94	19	103½	+0¼	7.02
IADB 7½ 93	15	104⅝	0	7.11
ITT 6¾ 92	20	97¾	+0¼	7.18
McDonald Corp 6½ 92	25	99¼	+0¼	6.66
New Zealand 7¼ 90	15	102	+0¼	6.86
New Zealand 7⅞ 89	15	102⅞	−0¼	6.80
Pacific Gas & El 7 94	20	100¼	+0⅞	6.94
Penney J C 6⅞ 92	20	98⅝	+0⅞	7.01
Proctor 6⅞ 92	25	99¼	+0¼	6.78
Sallie Mae 6⅞ 92	25	98⅞	0	6.96
TRW 7 94	15	99¾	0	7.03
Utd Technology 6⅞ 92	25	98¾	+0¼	6.88
World Bank 7 94	20	101¼	+0½	6.82
World Bank 7⅞ 93	20	104⅞	+0½	6.91
World Bank 8 93	20	108¾	+0¼	6.89

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9¾ 89	800	103¼	+0⅞	9.77
Eurofima 10 94	800	104¾	+0¼	9.20
E Coal & Steel 10½ 84	1bn	105½	+0¼	9.35
Euro Invest Bk 10¾ 94	1bn	108½	0	8.53
World Bank 10¾ 89	1bn	105⅝	0	8.43

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	103¼	−0¼	6.79
ABN 7¾ 99	150	102¼	0	7.14
Amro Bk 7¾ 89	150	100¾	−0½	7.63
Amro Bk 8 89	200	103⅝	−0¼	6.84
Bk Mees & Hope 8¾ 89	100	103¼	−0½	7.19
Beatrice Foods 8¾ 89	100	104⅞	+0¼	6.82
C C Rabo 8 89	150	103	−1½	7.05
Denmark 9½ 91	100	103¾	−0⅞	7.87
Int Stand Elec 8½ 89	100	104¼	+0⅞	7.14
New Zealand 8¾ 88	100	104¾	−0¼	7.04

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12¾ 91	60	105¼	0	11.03
Aust Resources 11⅞ 92	50	101⅞	+1¼	11.31
Bank of Tokyo 10⅞ 92	75	100¾	+0¼	10.77
Bqe l'Indosuez 14 81	75	108¾	+0¼	12.03
Br Col Munic 12¾ 91	100	105½	+0¼	10.97
Br Col Munic 13½ 81	100	108⅝	+0¼	11.49
Br Col Tele 12¾ 89	70	103⅞	+1¼	11.84
Denmark 11⅝ 91	100	102¾	+0¼	11.03
Farm Cred Corp 12¾ 90	75	106⅞	−1¼	10.57
Kredietbank 12 92	75	102	+0¼	11.51
Long Term Cred 11¾ 90	75	103⅞	+0¼	10.65
Montreal City 12¾ 81	60	106⅝	+0¼	10.85
New Brunswick 12 85	75	103¼	+0¼	11.40
Nov Scotia 11¾ 96	100	101½	+0¼	11.34
Quebec Hydro 14 91	75	109⅞	0	11.62

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	103	+0¼	8.86
Australia & NZ 10¾ 91	50	104⅞	+0¼	9.64
Austria 10½ 93	100	107⅞	+0¼	8.11
BFCE 9¾ 92	75	103¼	+1¼	9.08
Cred National 10½ 94	50	106¼	+0¼	8.33
Cred National 11¾ 91	60	110⅝	+0½	8.93
Denmark 10¾ 91	75	106	+0¼	8.31
Ebco Intl 10⅞ 89	56	104⅛	+0¼	9.31
EEC 10¾ 91	60	105½	0	9.20
EEC 11 93	50	108⅞	+0¼	8.70
EEC 11¾ 91	60	106⅝	0	9.78
EEC 11⅝ 93	70	108	+1½	9.08
Euro Coal & Steel 8 94	60	114½	+0⅞	9.38
Euro Invest Bk 9¾ 95	200	102	+0¼	8.92
Euro Invest Bk 10¾ 94	100	106½	+1¼	8.98
Euro Invest Bk 10¾ 83	60	107	+0¼	8.21
Euro Invest Bk 10⅝ 84	100	107¼	+0⅞	9.35
Euro Invest Bk 11¾ 92	75	109½	+3¼	9.29
Euro Invest Bk 11¾ 93	50	109⅝	+1¼	9.39
Euro Invest Bk 11¾ 98	50	111	+0⅞	9.53
Gen Finance 11 90	70	106	+1¼	9.47
Giro Vienna 10½ 93	50	106½	0	9.33
GTE Finance 10⅞ 92	50	108¼	+0¼	9.19
Ireland 10¾ 95	60	103¾	+0¼	8.61
Italian Govt 10¾ 92	600	105⅝	+1¼	9.48
Italian Treas 11¾ 90	60	108¾	+3¼	9.30
Kredietbank L 9¾ 92	75	99¾	+0⅞	9.41
Megal Finance 11¾ 94	100	106⅞	+0¼	10.05
Nippon Cred Bk 11 91	50	108⅞	+0¼	8.54
Nordic Inv 6 94	50	112¾	−0¼	8.53
Post Och Kred 10⅞ 92	50	104¾	+0¼	10.01
Royal Bk Can 10½ 89	85	106	+0¼	8.53
SNCI 10⅞ 94	60	108	+0¼	9.49
Swedish Export 11 89	68	103¼	+0⅞	8.91
West LB 10⅞ 91	50	106¾	+0¼	8.24
World Bank 10¾ 88	100	108¼	+0¼	6.43

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 89	40	97⅞	0	13.25
PIRA 12¾ 88	60	99¼	+0¼	12.59
State Bk NSW 12¾ 89	40	100⅞	−0¼	11.90

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intnl 10⅞ 81	100	100	0	10.72
Denmark 10¾ 89	75	98⅞	+0¼	11.27
EEC 11¾ 94	50	102	+0¼	10.98
Europarat 11¾ 82	50	101¼	+0¼	10.97
Euro Invest Bk 10⅞ 92	75	99⅝	+0⅞	10.78
Finland 11⅞ 88	50	102½	0	10.87
Grand Met 10⅞ 90	50	97¾	+0¼	11.45
Int-Amer Dev 11¾ 91	50	101	+0½	11.10
Int Stand Elec 11¾ 89	50	100⅞	0	10.75
Inv In Indust 11½ 91	50	102¾	0	10.85
Ireland 11¾ 94	50	99¾	+0¼	11.40
New Zealand 10⅞ 89	100	98¾	+1¼	11.23
SNCF 11¼ 94	60	102	+0¼	10.86
World Bank 10⅞ 89	100	100¼	0	10.55
World Bank 10⅞ 89	50	100¼	+0¼	10.51
World Bank 11 84	50	100⅝	+0¼	10.87

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Commerzbank DM	31/5/88	59	0	3.00
Ciba-Geigy Int £	1/11/88	329	+50½	152.60
Credit Suisse	31/5/88	34¼	+2¾	−0.39
Deutsche Bank DM	18/5/91	154	0	−17.82
ICI Finance	1/8/90	357½	+3½	236.72
IC Industries	16/8/88	20¾	0	−13.71
Jusco	22/12/88	73	+0½	27.04
Minebea Co	20/2/89	36	+2	66.60
Mitsubishi Cp	7/11/88	36	+3	11.43
Mitsui	10/12/87	21	0	4.10
Nissho Iwai	1/2/89	18	+0⅞	22.54
Nomura Sec	31/10/88	80½	+6¾	−0.88
Siemens Warm DM	31/5/90	349	0	0.21
Swiss Bk Cpn	20/12/88	52¼	+4⅞	0.44
Toray Ind	5/3/87	15¼	+1¼	8.48
Veba Intnl	15/12/93	67	0	18.81

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11¾ 81	14/2/88	30¼	+10¼	5.04
Coca-Cola 11¾ 81	28/11/88	28⅞	+1¼	4.00
Commerzbk 11¾ 89	17/7/88	105	+6	−8.31
Du Point 13¾ 89	25/8/86	80¼	+10¼	−6.27
Ekspotfinas 13¾ 93	15/9/87	87¼	+5¾	−8.08
Gen Elec 12¾ 91	7/8/87	71½	+14	−0.10
IBM Credit 13 87	18/8/86	60¾	+4½	−12.57
Inv In Inds 10¾ 91	[illegible]	60	0	−0.87
McDnlds F 11¾ 94	6/1/89	36¼	+9¼	5.21
Oester Lnbk 13¾ 89	0/8/87	88¾	+11¾	−6.42
Texaco Cap 12⅞ 92	1/9/87	65¼	+6	1.99
Xerox 13¾ 87	15/8/85	63¼	+7	−13.13

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate († three-month; § above mean rate) for U.S. dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

* Perpetual.

Closing prices on July 5.

Manufacturers Hanover: A major force in Spain

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AUMAR

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U.S. $200,000,000
Multi-Currency Transferable Loan Facility

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The Long-Term Credit Bank of Japan, Limited · Postipankki · Badische Kommunale Landesbank International S.A. · Banco di Roma
Bank of Ireland · Banque Commerciale pour l'Europe du Nord (Eurobank) · Banque Nationale de Paris (Luxembourg) SA
Caja de Madrid · Cassa di Risparmio delle Provincie Lombarde (London Branch) · Continental Bank of Canada · Crédit Commercial de France
L'Européenne de Banque S.A. · State Bank of New South Wales · Swiss Bank Corporation
Algemene Bank Nederland N.V. · Caisse Centrale des Banques Populaires · Caixa d'Estalvis de Catalunya
Den norske Creditbank (Luxembourg) S.A. · Landesbank Rheinland-Pfalz und Saar International S.A. Luxembourg
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May 1985

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DM40,000,000
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Manufacturers Hanover Limited

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Bética de Autopistas, S.A.
Concesionaria del Estado

DM 137,000,000
Medium Term Transferable Loan Facility

partially guaranteed by

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Swiss Bank Corporation · Union Bank of Finland International S.A. Luxembourg · Union Bank of Switzerland
The Gulf Bank K.S.C. Kuwait · Banco di Santo Spirito *London Branch* Licensed Deposit Taker · Algemene Bank Nederland N.V.
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Guaranteed Floating Rate Notes due 1993

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Merrill Lynch Capital Markets · Mitsubishi Trust & Banking Corporation (Europe) S.A.
Mitsui Trust Bank (Europe) S.A. · Samuel Montagu & Co. Limited
Nippon Credit International (HK) Ltd. · Sanwa International Limited
Sumitomo Trust International Limited · The Taiyo Kobe Bank (Luxembourg) S.A.
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June, 1985

MH LIMITED

Manufacturers Hanover Limited
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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

NatWest issue innovations could set a trend

"THIS HAS been the most difficult and most complex issue that we have ever done, both from a legal and a structural point of view," says Mr Roy Haines, treasurer of National Westminster Bank.

His summation of the bank's SwFr 300m bond issue, signed last week, might deter other borrowers from taking the next flight to Zurich. Yet the very aspects which created the complexities are the innovations which could suggest similar fund-raising techniques to other British banks.

The legal difficulties were caused by NatWest's desire to have the issue counted as subordinated capital, in line with Bank of England guidelines issued last year. The structural complications stemmed from the accompanying issue of equity warrants, believed to be the first by a British bank abroad.

NatWest, seeking like other British banks to build its capital base, has catapulted into fifth place among the largest Eurobond market borrowers in the first half of 1975. This was due in large part to a $1bn perpetual floating rate note which counted as primary capital under the central bank's definition.

The Swiss issue was not designed to be primary capital, since it is not perpetual and not convertible into equity. But NatWest did wish it to count as subordinated capital under the new rules, which specify among other things that there must be no cross-default clauses or negative pledges.

NatWest wanted to borrow Swiss francs—the stated setphrase purpose being to fund the group's international business. The problem was that a Swiss franc bond issue would naturally be governed by Swiss law, while the Bank of England's rules on subordinated capital demand British jurisdiction.

The solution, after several weeks of head-scratching by the lawyers, was that English law would govern the subordination —ranking bond-holders after depositors in the event of liquidation—and the trust deeds necessary for this, while all the remaining documentation for the issue would come under Swiss law.

The second interesting feature of the issue — equity warrants — is not a novelty for the Swiss market, nor indeed for NatWest which issued warrants in the UK as long ago as 1969 in the purchase of Lombard Banking.

The chief benefit to the borrower is that it lowers the interest rate. Swiss bond traders estimate that NatWest would normally have to pay between 5½ and 6 per cent, compared with the 4½ per cent it is actually paying — reduced from the indicated 4¾ per cent because of favourable market response.

The extent to which a coupon can be lowered by a warrant issue depends on how appetising investors find the opportunity offered them to buy shares. Warrants have a fixed exercise price at a premium to the current share price. The smaller the premium, the more likely it is that investors will be able to make a killing, and therefore the lower the interest rate needed. Another factor is the period for which bondholders can exercise the option to buy shares.

NatWest's interest saving was achieved by setting a 14.1 per cent premium and an exercise period lasting for the first five years of the bond's 10-year life. Interest foregone by investors because of the warrant issue means, however, that the effective exercise premium is over 20 per cent. The bond's managing banks, led by Handelsbank, a NatWest subsidiary, will already have been cheered by a 35p rise in NatWest's share price to 708p since the 747p exercise price was set on Wednesday.

If all the warrants are exercised, NatWest's equity will be expanded by just over 3 per cent. Though this is a small dilution, it should be seen against the background of the internationalisation of equity markets. Shares in multinational companies are increasingly being traded outside traditional domestic marketplaces and issued through Eurobond distribution channels.

NatWest's move is a further small step in this direction. The bonds and the warrants will be listed in Switzerland, but the volume of warrant trading will be difficult to judge because there will be only 60,000 of them — each to buy 200 shares. NatWest plans eventually to list its shares in Switzerland.

The problems of mounting the issue will have been compensated by its favourable reception, achieved despite the fact that it was the largest since a SwFr 200m ceiling on bond issues was lifted in May.

Alexander Nicoll

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Mitsubishi Bank §	100	2000	15	(3)	100	Mitsubishi Fin. Int.	*
Trio-Kenwood §‡	35	1995	10	3¼	100	Nomura Int.	3.250
Ass. Corp. N.America ‡	100	1992	7	10½	100	Kidder Peabody	10.500
WestLB Fin. ‡	100	1992	7	10⅛	100	WestLB	10.125
Citicorp ‡	200	1995	10	10⅝	100	Morgan Stanley	10.625
Banco di Napoli (a)†‡	150	1997	12	1/16	100	Morgan Stanley	—
EEC ‡	350	1990	5	9⅝	99¾	Bankers Trust Int.	9.890
Bergen Bank (b)φ†‡	75	1997	12	¼	100	Merrill Lynch	—
Yokohama (Asia) (c)†‡	100	1997	12	⅜	100	Shearson Lehman Bros.	—
Kyowa Bank ‡	100	1992	7	10½	100½	Salomon Brothers	10.398
SBC Finance ‡	100	1995	10	10	100	SBCI	10.000
Sumitomo Bank §	120	2000	15	(2⅞)	100	Sumitomo Fin. Int.	*
State Bk. S.Australia ‡	100	1992	7	10¼	100	Deutsche Bank	10.250
World Bank ‡	300	1995	10	10⅛	99½	Deutsche Bank	10.207
Korea Exchange Bk (d)†‡	150	1995	10	¼	100	Bk of Tokyo Int. (HK)	—
Metropolitan Life Ins. ‡	150	1992	7	9⅞	100	CSFB	9.875
BAII (d)†‡	100	1997	12	¼	100	BNP	—
Chugoku Elec. Power ‡	50	1992	6½	10	101	Nomura Int.	9.760
AUSTRALIAN DOLLARS							
Co-Op Bulk Handling ‡	25	1992	7	13½	100	Orion Royal Bank	13.500
ANZ Banking ‡	70	1990	5	12¾	100⅝	Orion Royal Bank	12.574
CRA Finance ‡	50	1991	6	13⅛	100½	Orion Royal Bank	13.000
Sth Australia Gov.Fin. ‡	50	1991	6	12⅝	100¾	Hambros Bank	12.440
SBC (Australia) ‡	40	1990	5	12½	100	SBCI	12.500
D-MARKS							
EDC ‖‡	150	1993	8	7½	100	Deutsche Bank	7.500
World Bank ‡	600	1995	10	7	99½	Deutsche Bank	7.071
SWISS FRANCS							
IADB ‡	100	1995	–	5⅞	100	Credit Suisse	5.875
IADB ‡	100	2005	–	6⅛	100	Credit Suisse	6.125
NatWest Bank ¶‡	300	1995	–	4½	100	Handelsbank	4.500
Nippon Zeon **§	70	1990	–	(1⅝)	100	Credit Suisse	*
NTT ‡	150	1995	–	5⅜	99¾	UBS	5.408
Ferrovie d'Stato (g)†	100	1993	–	⅛	100	Bqe Gutzwiller, K.B.	—
Okumura Corpn. **§	30	1990	–	(1¾)	100	Handelsbank	*
First City Fin. ‖	125	1995	–	(7¾)	*	Soditic	*
Canada Dev. Corpn. **‡	100	1990	–	6⅛	100	Credit Suisse	6.125
Shin-Kobe El. Mach. **‡	30	1990	–	5¾	100¼	Bank Leu	5.681
Kitano Construction **§	20	1990	–	(1¾)	*	UBS	*
BP Capital ‡	70	1997	–	5⅜	100¼	UBS	5.346
Kanemori Co.	50	1993	–	(5¾)	*	Banca del Gottardo	*
Hokkaido Elec. Power	100	1995	–	(5⅞)	*	SBC	*
Taio Paper Man. **¶	30	1990	–	(3¼)	*	SBC	*
Sumitomo Bank **§	100	1990	–	(1⅝)	100	Banca del Gottardo	*
ECUs							
CCF ‡	85	1995	10	9¼	100	CCF	9.250
Walt Disney ‡	80	1995	8	9⅛	100¼	Goldman Sachs	9.080
Daikyo Kanko ‡	40	1992	7	8⅞	100⅝	Nomura Int.	8.752
SAS ‡	100	1995	10	9	100	Credit Lyonnais, BBL	9.000
LUXEMBOURG FRANCS							
Ind. Bk Finland ‡	600	1995	9½	9¼	100	Kredietbank Int.	9.250
FRENCH FRANCS							
Michelin §	500	2000	14½	(7–7½)	100	Lazard Freres, CSFB	*
World Bank ‡	1bn	1997	12	10.9	99.67	Banque Paribas	10.951
GUILDERS							
United Technologies **‡	100	1990	5	7	100	ABN	7.000
YEN							
World Bank ‡	50bn	1995	10	6.6	99.5	Yamaichi Secs.	6.670
Farm Cr. Corp. Canada ‖	15bn	1990	5	6⅝	100	Nomura Int.	6.625

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ‖ Dual-currency. φ Maximum coupon. (a) 1/16 over 6m Libor. (b) Mis-match: ¼ over 6m Libid. (c) ⅜ over 3m Libid. (d) ⅛ over 6m Libor.
Note: Yields are calculated on AIBD basis.

French engineering groups in carbon composite joint venture

BY DAVID MARSH IN PARIS

ALSTHOM Atlantique and Société Européenne de Propulsion, two state-controlled French special engineering groups, have teamed up to produce jointly high-performance carbon composite materials destined mainly for aeronautic applications on the export market.

The agreement will involve joint investment of FFr 100m over the next three years to extend production of the Sepcarb composite materials already produced by SEP, the rocket motor company which builds the propulsion systems for the Ariane satellite launcher and France's nuclear strike forces.

The two companies are setting up a joint venture, Carbone-Industrie, with a capital of FFr 40m ($4.3m). This aims to produce about 30 tonnes of carbon-composite materials – used above all in the brakes of aircraft such as the Airbus and Mirage 2000 sold extensively abroad – from next year once a new factory at Villeurbanne in the Lyons conurbation comes into operation.

The new grouping will be competing mainly with Dunlop of the UK and Goodyear, Bendix and Goodrich of the U.S. in specialised international markets for heavy duty brakes.

The Sepcarb material has been developed by SEP based on composites originally produced for high resistance components of the engines powering France's nuclear-armed ballistic missiles.

The carbon composites are also presently used in the brakes of Formula 1 racing cars. The French rail board SNCF is studying possible use of the materials for the brakes of France's Train de Grand Vitesse (TGV), the high speed train which links Paris to the south of France.

A SNCF spokesman said yesterday, however, that applications on the high speed train would be unlikely until the third generation of the TGV was built well into the 1990s.

SEP puts Sepcarb production currently at about 15 tonnes a year worth FFr 30m, against 6 tonnes last year. Assuming a 25 per cent drop in prices through technological advance, turnover is expected to increase to about FFr 90m by the end of the decade, when production is expected to reach 60 tonnes a year.

Alsthom Atlantique, part of the Compagnie Générale d'Electricité group, builds the TGV and already has links with SEP over turbine machinery. The deal with SEP is part of Alsthom's diversification efforts into areas such as robots and new materials.

● In another French high technology agreement on new materials, Rhône Poulenc, the state chemicals company, has bought for an undisclosed sum the ceramics business of Ceraver, one of the subsidiaries of CGE. Thermo-mechanical ceramics are used in vehicle, aerospace and electronic industries.

First Pacific in talks with Sears over Hagemeyer

BY DAVID DODWELL IN HONG KONG

SEARS ROEBUCK, the U.S. retail group, is discussing with First Pacific International, the Hong Kong-based banking group controlled by the Liem family and associates in Indonesia, the purchase of a minority holding in Hagemeyer, First Pacific's Netherland-based trading subsidiary.

In response to a spate of stock market rumours, First Pacific said yesterday that it was talking with Sears World Trade, a wholly-owned trading subsidiary of Sears. If a deal is agreed, Sears World Trade will acquire a controlling interest in "certain Hagemeyer trading operations."

The U.S. group would pay by buying a minority stake in Hagemeyer through a private placement. There are 3m Hagemeyer shares in issue worth about U.S.$ 56m. First Pacific has a 67.7 per cent stake.

First Pacific International acquired its stake in Hagemeyer only three years ago. Since then, the 80-year-old Dutch trading company has caused the parent embarrassment over certain coffee shipments to the U.S. which were the subject of a U.S. customs investigation.

The shipments were eventually released, with Hagemeyer insisting there had been no infringement of the international coffee agreement, but a settlement left First Pacific with an extraordinary loss in 1983 of $383,625.

Since then, control over Hagemeyer has been tightened. Turnover last year improved to Fl 2.86m ($0.85m) from Fl 2.49m and pre-tax profits rose from Fl 10,566 to Fl 18,165.

Japanese banks look to London

MITSUI TRUST & Banking and Mitsubishi Trust & Banking said that they plan to establish securities companies in London, AP-DJ reports from Tokyo.

The two trust banks—which in Japan act mainly as fund managers—said they had filed initial applications with the Japanese Ministry of Finance. They would then approach the UK authorities for licences.

Mitsui has securities companies in Brussels and Zurich, and Mitsubishi in Brussels.

FINANCIAL TIMES SURVEY

Monday July 8 1985

NETHERLANDS

BANKING, FINANCE AND INVESTMENT

Dutch bankers are pursuing a prudent path amid the financial world's rapid changes. Whether Holland can avoid a more aggressive environment and still compete internationally, remains to be seen.

Squaring up to the increasing turbulence of the financial world: above, a section of Amsterdam's banking district, showing the ABN bank; and, right, the floor of the Amsterdam Stock Exchange

Sector faces new pressures

BY LAURA RAUN

WITH CENTURIES of international finance behind them, Dutch bankers are taking much of the current turbulence in world banking in their stride. The commercial bankers grumble, of course, about escalating competition from foreign banks, the proliferation of near-banks and the encroachment of other financial institutions.

Their counterparts in the other sectors retort, however, that the blurring of distinctions between financial institutions merely puts everyone on a more equal footing.

After all is said and done the Dutch banking community seems unlikely to permit any open warfare like that accompanying deregulation in the U.S. Mr W. E. Scherpenhuysen Rom, chairman of the Nederlandsche Middenstandbank (NMB), and also head of the Dutch Banking Association, observes that "this is not cut-throat competition."

The Dutch, by nature, dislike confrontation and prefer compromise whenever possible. Thus, bankers here sometimes appear complacent in the face of one of the biggest threats—the invasion of foreign banks armed with fancy, high-tech products.

The bankers along Amsterdam's Herengracht explain that they always have faced outside competition because of the historically open nature of the Dutch economy, allowing some of the freest capital flows in Europe. Still, foreign banks lifted their share of the Dutch market by a sizeable 6½ per centage points last year to 33 per cent.

Major international banks such as Chase Manhattan and Credit Lyonnais have taken full control of Dutch banks while others such as Citibank have stepped up activities through their branches. The American banks, in particular, are wooing away prime corporate clients with sophisticated, computerised services such as global cash-management programmes.

Services

Because of their advanced hardware and software as well as worldwide presence, these international banks can offer unparalleled products at affordable prices.

Mr Scherpenhuysen Rom of NMB, the third largest commercial bank in Holland, admits that "the foreigners are trying to perform more functions," thus sharpening competition and pressurising margins for Dutch banks.

Citibank has carried out an intensive internal reorganisation of Dutch operations with an eye to carefully tailoring and marketing services and products for corporate clients. But Mr Scherpenhuysen Rom echoes the sentiment of his colleagues when he asserts that foreign banks will remain a second or third bank for most companies.

That secondary role, however, could change if price competition heightens. Foreign banks may be able to undercut the Dutch in corporate margins because Dutch banks historically have charged relatively high fees to corporate clients to subsidise private, individual customers. It has been estimated that each private account cost Dutch banks Fl 100 a year or a total of Fl 500m.

Despite this, Dutch bankers hesitate to impose a fee-for-service system on individual customers. They fear a margin-damaging battle if banks market competing products with different restrictions in an attempt to cut costs but retain customers. Some kind of tariff system will probably be instituted in the next year or two, but it seems likely that banks will move in unison to avoid the welter of bank accounts seen in the U.S.

A great deal of self-satisfaction surrounds the bank and Giro (postal) clearing system, which is viewed here as far more efficient than the UK and U.S. cheque systems. The speed and security of the Dutch system plus the universality of the Eurocheque programme make it unnecessary to rush into more computerised banking, the Dutch argue.

Bankers contend that the Netherlands is not lagging in automation but relatively few video display terminals, line tellers' counters and only a handful of automatic teller machines (ATM) are scattered about.

On the retail side, financial institutions clearly are moving more slowly into electronic banking than their British or American counterparts, preferring to retain harmony with labour unions. Mr Scherpenhuysen Rom predicts: "The banks will do ATM together and gradually. This is a high investment to be shared by the commercial banks, savings banks and Rabobank (the co-operative) bank."

The banks are opposing credit cards, which are virtually non-existent, on the grounds that the efficient clearing and Eurocheque systems make them redundant. Memory "chip" cards are equally scarce.

Savings associations are in the vanguard of the limited ATM push, having begun in the early '70s with on-line computers linking various member-banks. In 1977 Rabobank, the second-largest Dutch bank in asset terms, launched an 11-year Fl 490m automisation project to install on-line computers and display terminals for better client service.

Taking a cue from Rabobank, Algemene Bank Nederland (ABN), Holland's largest bank, has unveiled the most revolutionary programme. Called the "open bank" project, the plan is to refurbish ABN's 700-branch network in a living-room-like atmosphere with computer terminals scattered about. The Fl 100m project, which is to begin next year, is aimed at enlarging ABN's relatively small share of the retail market.

While it has larger foreign operations than second-ranked Amsterdam-Rotterdam Bank (AMRO), ABN has a slimmer piece of the domestic retail market. ABN'S effort to enlarge this share in over-banked Holland caught the banking community by surprise. The new chairman, Mr R. Hazelhoff, and other executives decline to discuss the "open bank" project, suggesting some uncertainty swirling about the initiative.

In targeting retail customers, ABN may encounter fresh competition from the planned Postbank, the merger of the Government savings bank and giro system that is to begin on January 1, 1986. The often-delayed Postbank will start with a strong foothold among private individuals and eventually may be allowed to begin commercial lending.

Activities

The politically controversial Postbank actually will be more of a worry for the commercial banks than for the savings industry, according to the savings banks. That is because the existing Government savings bank already competes directly with the savings associations but may eat into commercial banks' embattled savings activities.

Both universal and savings banks have seen their traditional savings deposits eroded in recent years by flat incomes and stiff competition from near-banks, insurance companies and pension funds. To fight banks, increasingly have turned to short-term deposits, which pay customers better rates but erode margins.

While ABN has targeted retail domestic customers for its new initiative, AMRO is looking in the opposite direction toward corporate and international business. AMRO recently completely reorganised its treasury department to put money- and capital-market foreign exchange and securities trading activities under one roof.

The objective is to prepare for what AMRO believes will be a shift toward corporate borrowing through instruments such as commercial paper and away from direct loans.

Dovetailing with AMRO's whole approach is its overseas expansion in recent years. Only two weeks ago AMRO acquired the European Banking Company (EBC), a London merchant bank, from its other six partners in the European Banks' International Company (EBCI). EBC, with its active role in

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Netherlands Banking and Finance 2

Battling to preserve their markets

Commercial Banks

LAURA RAUN

Leading banks in the commercial sector have faced a squeeze on profit margins. Above, the headquarters of Amro in Amsterdam, which is focusing on the wholesale sector

DUTCH commercial banks are choosing widely differing strategies to fight the rising tide of competition. An influx of foreign banks, a proliferation of near-banks and a broadening of savings banks' services have meant the traditional turf of the commercial banks is under assault. Apart from battling to preserve their historical markets, however, they are also looking for new niches in which to grow.

The deregulation of the banking industry in tha rest of Europe and in tha U.S. is also eroding previously sharp distinctions between financial sectors in Holland. But in contrast with the cut-throat competition that has accompanied deregulation in the U.S., Dutch bankers are more composed.

Mr W. E. Scherpenhuysen Rom, chairman of Nederlandscha Middenstandsbank (NMB) and head of the Dutch Bank Association, says calmly: "There are not many changes from one day to the other. A little conservatism is not bad."

Innovation along Amsterdam's Herengracht may be slower than elsewhere, but things are happening. The best illustration of banks' divergent strategies in the fight against heightened competition is provided by Algemene Bank Nederland (ABN), with Fl 147bn the largest bank in the Netherlends, and Amsterdam-Rotterdam Bank (Amro), with Fl 125bn the second largest. As these two leaders have watched their margins squeezed by new products and voletile rates, they have looked to opposite ends of the market for new initiatives.

Amro is focusing on the wholesale sector through e newly reorganised treasury department that combines the money and capital market desks, foreign exchange dealings and securities trading. The Dutcb bank, which claims to be the first European bank to create such a treasury department, is aimirng to exploit the growing market in corporete paper and the trend toward internationalisation.

Amro's rationale is as follows: Bank lending to Dutch corporations stagnated during the recession of the early 1980s and is still recovering only slowly, becanse of companies' preference for financing new investment internally or with fresh equity and dehentures. This pattern is expected to continue as major corporations find they can borrow more cheaply by going directly to lenders with instruments similar to U.S. commercial paper — short-term, unsecured promissory notes.

Mr G. E. Loudon, a board member of Amro, was recently quoted as saying, "If we can no longer lend to certain companies then wa will trade in their peper."

An expansion of foreign activities bas been going on for a couple of years. Only two weeks ago the Amsterdam-based Amro announced that it was taking over the European Banking Company (EBC), a merchant bank owned by a seven-member consortium known as the European Banks' International Company. Amro was already one of the seven owners but wanted EBC as a way to expand international wholesale activities, specifically in London. EBC is active in the Euromarkets and is one of only two banks trading on the London Stock Exchange.

"We felt this was a good vehicle (with which) to participate in the expanding London activities," says Amro; noting that other continental hanks, such as Deutsche Bank, were also acquiring London merchant banks to assure a place in the City's dynamic chenges as deregulation unfolds.

Amro also recognises that corporate clients are being wooed away by aggressive foreign banks such as Citibank and Paribas, which have esteblished footholds in Holland. The U.S. hanks, in particular, are proffering highly automated services, such as global cash management. With sophisticated hardware and software, the U.S. banks are eble to offer unique products at competitive prices.

Amro's forward-looking strategy has its risks, of course. The Netherlands has no commercial paper market at the moment and the Central Bank can be expected to proceed cautiously following several banking scandals in recent years. Moreover, prima corporate clients can be fickla if they find better and cheaper services elsewhere.

Amro's historical rival, ABN, has chosen a contrasting strategy of appealing to the private, retail market. ABN has launched a Fl 100m "open-bank" project to renovate its 700-branch network. By making electronic banking "user friendly," ABN hopes to attract new clients and cut costs. Retail hank clients do not pay for demand deposits in Holland and it bas been estimated that every private eccount costs banks Fl 100 a year, or a total of Fl 500m.

The ambitious project, which does not entail an increase in the number of branches, has taken the Dutch banking community by surprise. It coincides with the appointment of Mr R. Hazelhoff as chairman.

ABN management seems unsure of its move and refuses to discuss the "open bank" project other than to tell a Dutch newspaper that ABN believes financial funds will, in the long-term, concentrate in the hands of private individuals.

In accelerating its drive for new, private clients, ABN will run head-long into fresh competition from the planned Postbank. Scheduled to begin January 1 1986, tha Postbank will be a merger of the Postal Savings Bank, and the Giro Postal Clearing system.

The long-delayed Postbank, with the Postal Savings Bank's Fl 27.5bn in assets, will be among the smaller banks, but will start with a strong beach-head in the retail client market. How far the Postbank's services will extend is currently bogged down in Parliamentary debate.

An aggressive response to market constraints has been taken by Rabobank, a co-operative bank that is the tbird largest Dutch bank in terms of assets. While not a commercial bank, Rabo has been notably broadening from its historical agricultural niche. The past five years of depressed commodity prices, including those in the U.S. where Rabo is active, have forced the Utrecht-hased bank to diversify.

Robo lifted its share of the home mortgage market to above 30 per cent last year for the first time in many years despite a stagnant construction market. Tho co-operative bank is considering establishing a guarantee fund for company start-ups, which are likely to proliferate under a new Government programme that provides Fl 25,000 to fledgling concerns. Meanwhile, Rabo is also entering tha second phase of an 11-year, Fl 490m automisation programme that runs until 1988.

NMB, the name of which means middle-class bank, began several years ago with a decade-long move into areas outside its historical clientele of small- and medium-sized companies. To spread risk and income, this the third-largest commercisl bank in Holland expanded overseas, increased its mortgage portfolio and accelerated activity in the private-placement market.

But chairman, Scherpenhuysen Rom, clarifies: "We're adding to the bank, we're not diminishing the small- and medium-sized companies sector."

NMB will, however, have to share that sector with savings banks which will begin corporate lending this year for the first time. The savings hanks' entry into commercial lending is part of a 10-year transition period during which they will assume more and more universal bank functions.

Not only are banks trampling on each others' areas of activity they also are under attack from near-banks, collectively known as the "Roparco effect," because Roparco, a savings fund that is part of the Robeco group of investment trusts, is, like a U.S. money market fund, offering above average interest rates by containing costs.

Roparco has no bank branches but "piggybacks" the bank and giro (postal) clearing system. Having begun only four years ago, the fund has Fl 1.9bn in assets and last year set a minimum deposit of Fl 1000.

Similar to Roparco is Nederlandsche Credietbank's Direktbank, a branchless retail bank that also operates via the bank and giro clearing system. Nedcred, which was wholly acquired hy Chase Manhattan of the U.S. last year, can offer attractive terms by passing along to depositors savings in overhead costs.

The insurance companies too are encroaching on territory that was once considered the domain of commercial banks. By offering fiscally attractive annuities, insurance companies are robbing the banks of their traditional savings deposits, the banks contend.

In order to keep their smell savers, commercial banks have turned to short-term deposits, which offer better yields to the customer but put further pressure on margins.

One thing most bankers agree on is that finding a way to offset these narrower profit margins is the key to the future.

PROFILE: ONNO RUDING, MINISTER OF FINANCE

Behind Holland's healthy finances

Onno Ruding—he has taken tough measures to cut over-spending in Holland's bloated public sector. He is widely respected in international finance circles

A MAN is never a prophet in his own land and so it is with H. Onno Ruding, Finance Minister of the Netherlands.

Architect of the centre-right Government's painful austerity policies, Mr Ruding often has not been appreciated in the Netherlands. Abroad, however, the 45-year-old former banker is highly valued for the financial discipline he exercises at home and in international forums.

Mr Ruding entered office in November 1982 as part of the Christian Democrat - Liberal coalition that was formed on a platform of economic retrenchment, private-sector revitalisation and combating unemployment. As Finance Minister, he was charged with drawing up the fiscal blueprint for slashing the budget deficit from around 13 per cent of net national income (NNI) to 7½ per cent by 1986.

Through deep and relentless cuts in Government spending and persistent trimming of social-security benefits, the budget deficit will probably drop to 7½ per cent of NNI or lower hy next year. And this has been achieved despite a simultaneous reduction in taxes and social-security premiums, in adidtion to sluggish economic growth.

Mr Ruding, a Christian Democrat, can take much of the credit for puting Holland's national finances back on a healthy footing after years of rampant spending and escalating taxes and social premiums. The tall and lean Finance Minister has battled with Calvinistic determination for tha unpopular cuts in Holland's hallowed welfare system and bloated public sector.

"I was doing what was necessary under the prevailing problems," Mr Ruding explains in his dispassionate style. "That required a number of tough measures which would have been taken by anyone."

The stern but affable Mr Ruding, however, has often seemed isolated in his fiscal fight, leading the vanguard in the attack on lavish social benefits that are imbedded in the Dutch way of life. While the whole Cabinet is committed to reversing many policies of the past, Mr Ruding has forged ahead of his colleagues, and even his own political party at times. He has thus absorbed criticism that otherwise might have gone to others.

It is this apparent ruthlessness verging on relish that incenses opponents. Mr Ruding, educated as an economist, has frequently been accused of insensitivity toward the unemployed and low-income groups. His straightforward, slightly imperious manner irks many Dutchmen, who are accustomed to understated talk and widespread egalitarianism.

Last autumn the youth wing of the National Labour Federation FNV filed a civil suit against Mr Ruding because of a remark about people on unemployment henefits. The Finance Minister unabashedly commented that many recipients, especially young ones, were "lazy Johnnies from Leiden" who preferred to live near their auntie than move elsewhere to take a joh. The suit was thrown out of court but tha Finance Minister was required to pay court costs.

Mr Ruding, howevar, seems little worried. "I don't have sleepless nights (because of criticism). These are attacks on my policies . . . and aren't focused on ma personally."

While Mr Ruding frequently is upbraided at home, he is respected widely in international circles for the very qualities that irritate the Dutch. Early this year he was cbosen to head the interim committee of the International Monetary Fund (IMF), the first Dutchman to bold the post although "others have tried," he notes.

Mr Ruding came close to the chairmanship two years ago when his predecessor, Willy de Clercq of Belgium, was appointed. At that time the U.S. eagerly hacked Mr Rnding for the joh, viewing him as a man who could steer the IMF through the troubled waters of hurgeoning international debt problems.

The quiet-spoken Finance Minister also served as chairman of the hoerd of governors of the Asian Development Bank between 1983 and 1984. There he actively backed co-financing between tha bank and private lenders as a way of stretching the bank's resources.

Mr Ruding, however, also speaks his mind in the international arena—often siding with the U.S.—even if it means alienating European neighbours. He has opposed French initiatives to link monetary reform to trade matters and described France as "isolated" at the recent Tokyo meeting of the ten largest industrialised nations. He sees himself as an "active spokesman" for budgetary discipline within the European Community.

Back et home, a test of Mr Ruding's political capital could come next year with the Dutcb general elections. The May vote will be viewed as a referendum on whether the Dutch bave had enough of economic austerity. The Christian Democrats are likely to remain in power with either the rightist Liberals or the opposition Socialists, with the latter probably ruling out the hard-line Mr Ruding.

Says Mr Ruding: "I would continue, provided the programme and other cabinet memhers were acceptahle. That is my major yardstick." But it seems unlikely that the reflation-minded Labour Party and Mr Ruding would find each other mutually acceptable.

LAURA RAUN

Netherlands Banking and Finance 3

Sharing fully in worldwide boom

Options Market

JEFFREY BROWN

THE EUROPEAN Options Exchange, Amsterdam's options trading centre, is abaring fully in tha worldwide options boom. Lately, in the U.S. and in London where trading levels are rising with often dazzling speed, options have become something of a buzzword in the risk bedging business.

Having bounded ahead to 5.08m contracts in 1884, the EOE handled 2.7m contracts *during the first five months* of this year. It could be on target to increase turnover to around 6.5m for 1985 as a whole.

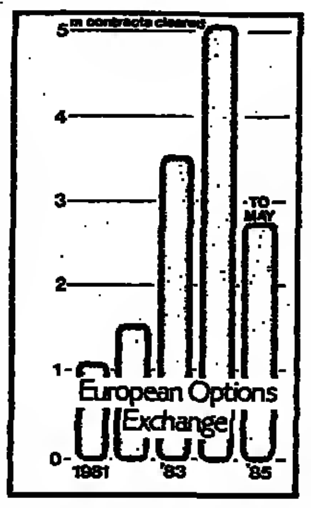
The EOE has been adding to the number of available options, extending share options to 15 and bringing in two more currency options. Of more significance are well prepared plans to deepen the physical structure of the market with a major addition of new seats.

In May, existing members voted narrowly to sbelve plans to create 40 new seats from the present maximum of 247. EOE officials are confident the vota will be more positive when it is again put to members later thia year.

Existing members felt it would be unwise to widen the market until the application list contains more capital-providing institutions like banks and securities houses. They are opposed to too greater mix of professional Dutch trader who — so the theory goes — would simply dilute the existing liquidity base.

About 80 per cent of trading focuses on share options with the big Dutch international stocks like Shell and Philips commanding a major following. The EOE recently added Aegon, the insurance group, to its options list, and this year began trading in Robeco, the big Dutch investment fund.

Some 10 per cent of trading is taken up with Dutch bond options (there are six of these) with the remaining 10 per cent of husiness spread across the exchange's international operations, currency options and gold and silver options. An Ecu-dollar cross-rate option may well start np later this year.



The EOE has links with options exchanges in Canada (Montreal and Vancouver) and in Sydney, Australia. All four exchanges are "fungihle" with deals struck in one centre liahle for completion in another. The Sydney exchange undertakes the clearing operations for all four exchanges in gold and silver options. These can now he effectively traded on a 24-hour hasis.

For some time, the EOE has been vigorously pursuing an ambition to break into the North American market. U.S. investors, notably the higger Wall Street fund managers, are major buyers of Dutch international equities.

The recent Wall Street shake out in the share price of North American Pbilips, whicb washed over into the main Amsterdam hourse, served to underline the potential attractions to *foreign investors* of the EOE.

To some extent this year's formalised links between the Philadelphia options market and the London options market were a blow to Dutch pride. There has been barely disguised antagonism between Amsterdam and London ever since the latter pulled out of the initial plan to trade options jointly.

It will not be easy for the EOE to take on a sizeable U.S. connection (with markets in say Chicago or Philadelphia) without putting existing Canadian business at risk.

The EOE bas abandoned plans — on the grounds that they are not necessary — to register with the U.S. Securities and Exchange Commission. But it is hoping eventually to list some U.S. abare options, and to tbis end bas held preliminary discussions with the Options Clearing Board, the big Chicago clearing house.

If the international way *forward is uncertain the EOE* can at least look with confidence to a satisfactory balance abeet in 1985. Having struggled against loaaes in its formative years, the EOE scrapped into profit in 1982 with a net return of Fl 1.5m. Last year it made Fl9.9m after paying tax of Fl 8.3m.

This has allowed all borrowings to lts founder, the Amsterdam Stock Exchange, to be repaid in full. The Fl 5.2m contingent liability sbown at end-1983 is not repeated in the 1884 accounts which suggests that this year the EOE will emerge with sizeable reserves of cash *to either spend or tuck* away into a reserve.

It is already casting around for larger premises having outgrown its existing building. Amsterdam'a old Corn Exchange, next door to the main hourse huilding. A proposed new computer system could eventually absorb large amounts of EOE cash. Officials are also toying with the prospect of making some sort of return to members, possihly in the form of reduced seat charges.

There is a great deal of quiet satisfaction over the progress the EOE has made in recent years, and understandably so. The volatility of share and currency markets explain much of the success, and is the key to future trading progress. But the EOE has itself done much to prepare the ground for the progress of the past two years, and justly deserves full recognition.

Volume still at a high level

WHY HAS Wall Street not discovered the Dutch stock market this year along with its newly found passion for the West German, Italian and Spanish Bourses? Answer: because it already knew about it.

Dutch sbares bave long been familiar to tbe international fund manager with stocks like Royal Dutcb, Philips, Unilever and KLM pust as well known, and widely traded, outside the Netherlands as they are within. To some extent this factor bas lately worked to the diadvantage of the Amsterdam bourse.

Tbe Dutch market bas always been dollar sensitive and this year's gyrations in the U.S. currency have allowed the spotligbt to sbade away from the "international" sbares. It remains one of the faster performing stock markets in Europe, hut for once it is the more localised shares that bave hen left to make most of the price running.

Whereaa foreign cash has poured pell-mell into the Frankfurt bourse this year, the outsider approacb to the Dutch stock market bas been mncb more considered. The international fund manager has had bis Dutcb portfolios fully-weigbted since at least the middle of last year.

The market touched its high point for the year early in June when the ANP-CBS General share index reached 214.5 for an advance of some 16 per cent since the start of 1985. This put the Dutch market up among the best performers in Enrope and lt marked the high point of a rally whicb started when the index stood at less than 150 back in the late summer of 1984.

The Bourse

JEFFREY BROWN

Trading volume has continued to run at a high level. Cash turnover in shares rose by a third to Fls 80.8bn in 1984, and for the first five months of 1985 trading volume was 15 per cent higher at Fls 44bn. There has been increasing focus on the big financials, notahly the banks and the major lnsurance groups.

Despite the buoyancy of both activity and price levela, the bourse bas seen only a modest amount of equity financing. Virtually no new companies have come to the market so far this year and rights issue business bas been constrained. Amsterdam's second tier, parallel market has made all the new issue running in recent years.

Dutch economic performance is providing the main thrust to tbe market. The Government hudget deficit is slowly coming down, inflation is well under control and GNP and company *profits* are rising.

Corporate profits adranced strongly last year under the impact of once and for all cost reductions, and the momentum is holding very steady in the current 12 months.

Wage unit costs declined in 1983 and 1984 and for last year this was reflected in company profits up hy around 30 per cent. This year profits can probahly rise by a further 10 per cent. Dividends look set to rise hy a similar amount both this year and in 1986 which compares with just over 8 per cent growth in the five years to 1984.

The structure of the Amsterdam bourse is very similar to the London stock market with dual capacity market making, fixed commissions on trading and rigid demarcation lines among principal market participants. But whereas the London market is going througb a period of rapid transformation, the pace of deregulation in the Netherlands is slow.

The bourse's commission system has been forced to adapt to more modern dealing procedures, and on most trades these days the commission is open to negotiation. But there is no timetable for the ending of dual capacity between the banks and hrokers and hoekman (jobbers). Outside capital is being kept sternly at bay.

A substantial portion of daily trading is already lost to the bourse because of the limitations of its system which keeps institutional business outside the exchange. There are big markets in Dutch shares both in London and in New York, and some Dutch banks estimate that as much as a third of business is lost to the locals in this way.

The demands from the trading floor for greater freedoms to compete for available business are growing—both from the banks and from the smaller broking and jobbing firms which *listen with undisguised envy* to the stories of London Stock Exchange partnerships changing hands for huge sums.

Tbe Dutch Central Bank has a five-man committee looking into bourse deregulation, but only as part of other duties. Many bourse traders feel that the present trading system will be swept away within the next two or three years.

Considerable growth in trading volume

Parallel Market

JEFFREY BROWN

SECONDARY SHARE markets have been springing to prominence all over Europe. French Investors have shown a strong liking for just such an investment arena, and West Germans, too, now have the chance to deal in unlisted shares.

The London unlisted securities market has grown into a major nndertaking. In Amsterdam, the so-called parallel market has been busily expanding, extending its list of "entered" companies to 36.

This makes the Dutch market a minnow in comparison with the London USM whicb has 300 companies and a stock market value of around £3.4bn of whicb perbaps £1.1bn is freely and regularly traded. The Amsterdam parallel market ls probably valued at around Fl 1bn, of which the biggest market capitalisations are an electronic communications group called Text Lite (Fl 141m) and Canadian Overseas Investment (Fl 114m). Out of the 36 entered companies, 13 are valued in excess of Fl 20m.

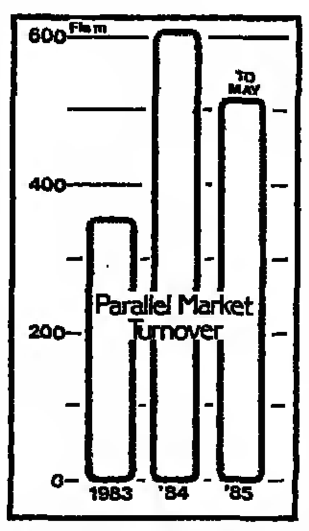
But then, equally, the main Dutch bourse is a small scale affair in comparison with London. Still, if lt lacks overall depth tbe parallel market can probably show mony aimilar markets a clean pair of heels in terms of the growth of trading volume. In 1984 turnover powered ahead to Fl 604m from the Fl 354m of 1983. After five months of this year dealing volume waa running at Fl 514m.

Much of the npsurge in investor lnterest springs from trading in a number of honds. A. Japanese group, Yokogawa, which has a manufacturing plant in the Netherlands, recently raised Fl 100m through a convertible Euro-note.

Mainstream equity dealing has also been hnoyant, and so has warrants husiness. The market started life in 1982 with 11 companies. It had 13 new entries in 1984, and so far in 1985 there have heen six additions. In the past 3½ years, five entries have made the promotional leap to a main Amsterdam bourse listing, and one company entry has been lost through a takeorer.

One of the more interesting of recent entries has been Grolsch Brewery, the small Dutcb family hrewer with trading tentacles spreading into many parts of the world drinks market, notably the UK where its distinctive ceramic bottle tops are part of a determined promotional push. The market includes a number of financial groups, including Kempen, a major Amsterdam stockbroker. An options exchange market maker, Amsterdam Options Traders, has just issued a parallel market prospectus.

The parallel market came into being partly to regulate an unofficial over-tbe-counter market which had grown up on the fringe of the main bourse. It had increased in size to the point where some embarrassment could be caused to the official stock excbange sbould accusations of poor investor protection ever be levelled. But the parallel market was also intended to provide a less onerous route to public life for small companies in need of capital.



A minimum nominal capital of Fl 2.5m is needed to qualify of wbich 10 per cent needa to be issued against 100 per cent for a full bourse listing in Amsterdam. No trading record is needed, *and in general disclosure* requirements are modest. It is virtually a venture capital husiness, and the broad make-up of companies reflects this with a fair sprinkling of small higb tech groups, often with a very small number of employees.

Some recent new issue arrangements have heen especially innovative. The tender method is understandahly popular given the investment nature of many participants. But the Grolsch issue, which was not a company capital raising exercise but a method hy which part of the family sbarebolding was turned into casb, came with an unusual construction involving claims to buy pre-priced sbares anything up to within two weeks of the original issue.

At one stage tbe price of the claims stood at a very sizeable premium to the Fl 45 price at wbicb the shares were struck.

Tbe market in parallel ahares is made by two stockhrokers, Brockman's Commissie Bank and D. W. Brand, both of them operating on tbe main bourse. They make a market daily, but on a matcbed bargain basis, wbich reflects the market's relative lack of liquidity. Sellers cannot insist on direct execution of orders, and the completion of any deal depends largely on the extent to which the respective parties can negotiate an agreement.

The same two dealers have run tbe market from its start. Despite the strength of dealing volume over tbe past couple of years, there are no signs yet of any other main bourse market maker wanting to get in on the act.

Exchange rate policy precedes bank profits

Central Bank

JEFFREY BROWN

THE DUTCH Central Bank can look back on 12 months of steady progress. It is not complacent, but there is an understandable air of quiet satisfaction at the fruits of its stewardship.

The economy is moving steadily forward, inflation is firmly under control and the Dutch banking system is remarkably free of trading traumas.

Helped partly by the removal of last year's indirect tax increases from year-on-year comparisons, inflation in the Netherlands is on target to dwindle to around 2 per cent by the end of 1985. In this respect, De Nederlandsche Bank (DNB) has been very successful in its handling of both the exchange rate and the monetary aggregates.

The bank has been active in its manipulation of the money *markets* this year and as a result has kept the guilder comfortably within its trading range against the D-mark.

This factor remains critical to DNB exchange rate policy. West Germany is far and away the Netherlands' biggest trading partner, accounting for 30 per cent of Dutch exports and almost a quarter of total imports.

Money market rates have been strongly underpinned for most of this year, and as a result Dutch banks' trading margins have been held down. The DNB makes no bones about exchange rate policy taking clear precedence over bank profits. Thus despite the gyrations of the dollar, the guilder has had a smooth enough ride so far this year.

The bank is less happy about the monetary climate. The liquidity ratios have shown less stability than the DNB would have liked. In 1983 the Dutch liquidity ratio rose some 4½ points to 40.2 per cent, and by the end of 1984 was running at around 41.7 per cent. To some extent, the situation has been partly outside the central bank's control.

Dutch broad money supply (M2) rose by 8½ per cent in 1984, but most of the increase was specifically related to the strength of the balance of payments. The current account surged upwards strongly last year, and for 1985 could get close to Fl 16bn which is roughly four times greater than the surplus' long-term average. The inflow of liquidity from abroad last year was obviously heavy and only partially neutralised by capital exports.

There are hopes that the situation will go some way to righting itself once capital investment picks up. Dutch companies are sitting on strong balance sheets, but have yet to translate these into capital spending on any scale.

In the meantime — *and* because it rules out such liquidity deflating options as a credit squeeze or a weakening exchange rate—the DNB has nagging doubts about the pace of inflation over the longer term.

The central bank has less qualms about the broad supervision of its banking system. It points out that domestic loan losses declined further last year, and adds that the improved capital position of Dutch business should keep loan losses moving down in the current year. Yet there is less certainty about the course of international banking business.

The tone of the DNB's 1984 report is far from optimistic about the problems of sovereign debt risks. The bank writes that although negotiating procedures are better, no fundamental improvement can be said to have occurred. However, the provisions made by Dutch banks for country debt risk "appears to be very respectable by international standards."

The banking system's solvency ratios moved up rapidly in 1984, thanks primarily to the way the banks have been rebuilding their reserves. A shift in the bank's credit portfolios to items with lower solvency requirement allowed credit growth to *outstrip comfortably the rise in* the solvency raquirement. This rose by 5.1 per cent in 1984, whereas overall credit moved up by 7.8 per cent.

One small dilemma in an otherwise largely unruffled outlook for the central bank is the possibility of changes in the use by banks of so-called external capital components. Much discussions is underway both within the EEC and elsewhere on the subject.

As a result, the DNB is at pains to check any over-estimation of the significance of bank *solvency in the Netherlands.*

In some respects the DNB's fight to keep the guilder exchange rate on a tight rein has been less straightforward than it outwardly appears. There have been pressures on the currency markets from rumours about cuts in Dutch gas prices. And there have been the understandable political uncertainties that can be expected to arise when general elections begin to loom.

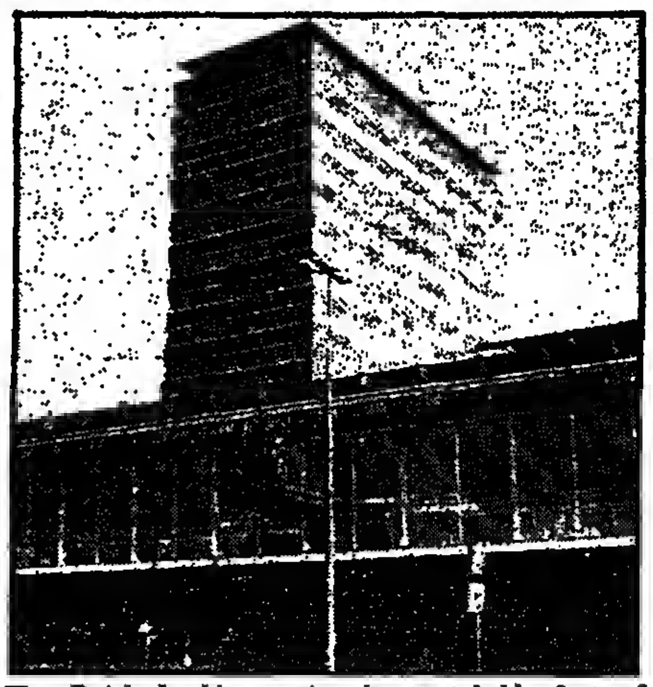
Official policy on the guilder is not going to be altered whatever the outcome of the general elections which have to be held before May, 1986. Central Bank policy remains fixed firmly at holding a rigid trading range against the West German currency with a cross-rate of Fls 1.13 as the unspoken floor.

If the guilder sinks to this level actions by the authorities in the money markets are instantly triggered.

As for rumours of cuts of up to 10 per cent in gas prices by Ned Gasunie, these remain a complete mystery, at least at the official level. It is not clear whether Gasunie needs to compete more *actively for gas con*tracts. But it is clear that the Dutch trade surplus can withstand some loss of gas exports.

Despite the tightness of the money markets where inter-bank rates have been held in the region of 7 per cent, longer-term Dutch interest rates have gradually edged lower this year in line with the trend on Wall Street. At the end of the first quarter the yield on long-term Government bonds was around 7¾ per cent. At present it is under 7½ per cent.

On a coupon of 7½ per cent and with a maturity of 10 years, the most recently issued state bond was relatively successful, raising Fl 3.3bn on tender at a price that was struck at 101.



The Dutch banking sector is remarkably free of trading traumas. Above: the National Bank, Amsterdam

Over-capacity keeps down office rents

Property Market

JEFFREY BROWN

FIVE years of slump have left an indelible mark on Dutch property markets. Office rants in Amsterdam are just about the lowest for a major European city, ignoring Barcelona which actually does come bottom of a rents table recently worked out by Richard Ellis, the property consultants and agents.

Against rents per square metre of well over US$700 in London, the cost of renting offices in Amsterdam works out *at $107, just ahead of the $98* which was the going rate in Barcelona at the end of the first quarter of this year. Rule of thumb adjustments for currency conversions and service charges and rates can make for comparison distortions. But viewed from whatever angle the overall picture portrayed by the agents is stark.

Dutch property markets continue to struggle fitfully with the burden of massive over-capacity. The current oversupply in offices probably extends to 2m square metres while in industrial property that figure rises by a further 1m or so square metres. The supply demand equations are less stilted in the retail market. But even here there are major constraints with rental values *held* in check by tenants' legal protections, notably court supervised rent reviews every five years.

Last year the Dutch take-up of new office space was around 500,000 sq metres. But 1984 was an exceptional year with office absorption inflated by a number of freakish factors. According to Richard Ellis, office take-up tends to run at about 350,000 square metres annually which suggests that the current office over-hang will take the best part of six years to work its way through the system.

In the perverse way that property markets have to operate as a result of long-term decision making and an almost total inability to either cut losses or make U-turns, the total office stock in the Netherlands continues to grow. To make matters worse, the situation is being aggravated by visible trends to a reduction in the amount of new office space per employee, partly through staff cuts and partly from the rapid onset of new technology.

Industrial investment in the Netherlands is showing obvious signs of buoyancy, but to date *it has had no visible impact* on the industrial property market.

Company profits rose by around 30 per cent in 1984 helped along by recovering GNP which for 1985 is generally forecast to set back to growth of 2 per cent, its long-term average gain. Small pockets of prime locations apart, the improving economic climate has yet to filter through to industrial property demand.

Institutional investment remains at a low ebb. Where there is any thrust to insurance and pension fund investment it tends to focus on refurbishment, as the major institutions concentrate on portfolio rationalisation as a means of improving lettings. There is a distinct shortage of really prime outlets for institutional funds—at a time when Dutch investors have become more and more demanding in their assessments.

Dutch *funds* continue to actively seek investment outside the Netherlands. The largest pension fund by far, ABP, the civil service pension fund, is confined by statute to investing its huge cash-flows in the Netherlands. But even this capitive supporter of the domestic property scene may soon be lost. There is a strong suggestion that the Government will soon allow ABP a certain amount of foreign investment leeway.

Seven years ago something *like 70 per cent of the port*folio at Wereldhave, the major Dutch property group, was invested at home. This year that percentage stands a good chance of being reversed. By the time the 1985 balance sheet appears, after four years of no Dutch investment, the company's portfolio will probably be 70 per cent foreign-based. *It is an open secret that PGGM,* the medical workers pension fund which has been stalking Wereldhave *for years* and has built up a major shareholding, coverts *these* overseas assets.

Curiously some developments remain remarkably active. The Atlas centre in the south eastern district of Amsterdam added no less than 72,000 square metres of office space to the city's stockpile when the complex was completed just over 18 months ago. This new space represented a fifth of one year's annual uptake for the whole of the Netherlands.

Earlier this year the nearby World Trade Centre brought an additional 60,000 square metres of offices, shops, restaurants and conference facilities into play. Both developments had their planning origins based on the principle that years of rastrictive municipal planning in the heart of old, canal-side Amsterdam would force companies to seek more accessible working environment in fringe areas.

Lettings at both developments are proceeding slowly, a *pattern common throughout* the Netherlands. Over the past ten years rental growth in Amsterdam and the Hague has lagged behind inflation, and severely so in Rotterdam. Within the so-called Randstad area, only the Utrecht has managed to keep rents growing ahead of the consumer price indices.

PROFILE: DR. WIM DUISENBERG

Pragmatist rather than an idealist

WHEN Dr *Wim* Duisenberg was appointed President of De Nederlandsche Bank N.V. in 1981, the then *Prime Minister, Mr Dries van Agt,* called to congratulate him and said: "If you don't mind, I also want to congratulate myself because I think this is the best appointment the Cabinet has so far made."

There was nothing astonishing about that—after all, as former economics professor, Rabobank Nederland official, IMF staff member and Dutch Finance Minister, Dr Duisenberg's résumé looked made to measure. More surprising, however, was that, for the first time in Dutch history, a Labour Party member had been elected Central Bank Governor and, moreover, by a non-Labour Government comprising Liberals and Christian Democrats.

"That is the way we can live with each other here," he explains, adding that "the Labour Party too must show it can handle the country's money in a responsible way." His appointment may be explained better, however, by his closer links with the current right-of-centre coalition Government than with Labour's rank and file.

Preferring to be considered a pragmatist rather than an idealist, he claims his choice of political direction "was more a matter of feeling and emotion than of very rational reasoning."

His politics, in fact, are barely recognisable as those of the left, though he justifies his Labour membership by saying that his egalitarianism is confined more to the distribution of wealth than to "theorising about how to create wealth." Production must come first and there are few choices, he insists, relieved that his job enables him "to keep away from active political issues."

He admits to being "more a Denis Healey than a Tony Benn," adding that "the Labour Party itself regards me as extremely right wing — which is what happens to anyone having to deal with money."

Yet Dr Duisenberg, who looks not unlike the late President Kennedy, was considered once by the media, if not by himself or the Party, as a contender for the Dutch Labour throne. "That's very bad if it happens to you because from then on every move you make, every word you say, is seen in a certain light," he says. "But, luckily, that *stopped eventually* and another crown prince came along."

His Central Bank policies are predictably similar to those of his predecessor, Mr Jelle Zijlstra, who once described Dr Duisenberg as a "moderate monetarist." But he differs from his predecessors in his open style.

"*In the past, institutions like* the Central Bank almost automatically had people's confidence," he reflects. "But today, instead of this confidence being given to us, we must earn it." Working hard at opening up the secretive world of central banking, he encourages some 10,000 Dutch school-children a year to watch the Central Bank at work.

Publicity does not daunt the self-assured Dutchman, whose out-going style led his last annual report to raise sufficient *doubts about* Government finance to stir controversy nationwide.

"The feeling in the country seemed to be that sufficient expenditure had been cut," he notes. "But I tried to demonstrate that this was not so. We still have a far-too-large borrowing requirement and rapidly rising interest charges on our budget."

Despite his prominence at home, Dr Duisenberg keeps rather a low profile internationally. He did not make it as the third Dutchman to head the Bank for International Settlements, but regards their monthly meetings in Basle as a highlight of his job.

Rescue package

"The various governors get to know one another very well and the Sunday dinners are extremely sociable occasions if the world is quiet. But when something happens, it is at those meetings that we can decide quickly and stick out our necks by offering a rescue package." He does not feel, however, that the cntral banks should be any more involved than they are already in the international debt crisis.

Having more spare time now than when Finance Minister, he finds that sailing competes for priority with golf and amateur photography.

The financial world never leaves him for long. "But when I step aboard my boat in Friesland I don't think for a minute about banking—until, that is, the phone rings," he says.

His ex-wife, whom he recently divorced, used to complain: "It's not the three minute call I mind but the three hours of mental occupation afterwards."

At home he often talks business with his youngest son, who plans to study economics at Rotterdam University and then gain some practical banking experience before taking his father's place at De Nederlandsche Bank when he retires around 1997.

Retirement will not come easily, however, for a man who would not change his job for any other in the world. "It's the best there is," he says. "The pity is that there's only one such job per country."

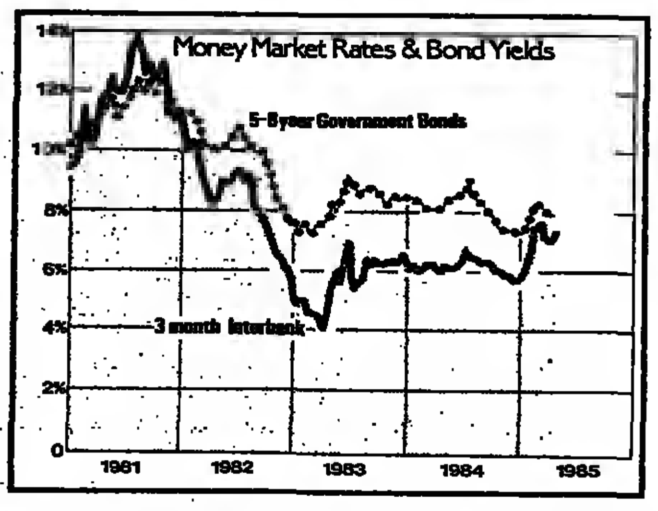
Peter Spinks

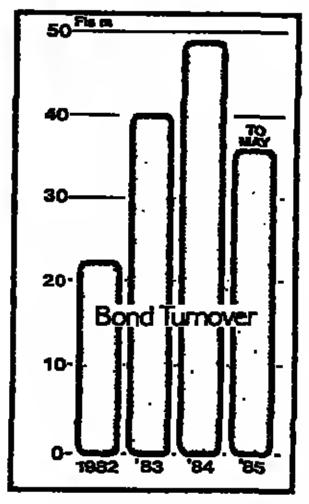
Netherlands Banking and Finance 5

Equities set the pace

Capital Market

JEFFREY BROWN





DUTCH BONDS have gone in for a spot of role reversal of late, giving way to equities in terms of activity levels. In 1982, bonds accounted for more than 70 per cent of total trading volume on the Amsterdam bourse. By 1984 this percentage was down to less than 50 per cent and trading so far in 1985 has stayed unexciting.

The tightness of the money markets and the limited scope for actual price movements has kept the bond market at a low ebb at a time when the main investment competition, equities, have come strongly into fashion. Equity trading levels jumped by more than a third last year whereas bond activity could only improve by 13 per cent.

The early months of 1985 have seen more action but largely as a result of gyrations in the foreign exchanges as the dollar has waxed and waned against the guilder's running mate, the German D-mark. Bond turnover improved by a fifth or so to Fl 36.4bn in the five months to May, against Fl 73.3bn for 1984 as a whole.

There have been plenty of occasions, however, when bond traders have found themselves with little to do but stare gloomily into the middle distance. Dutch bond yields have moved progressively lower this year, but with the central bank firmly in control of both speed and direction — and dampening down all attempts at price rallies in the process.

Over the last couple of months the Dutch authorities have kept money market rates clamped firmly at 7 per cent as a means of keeping the guilder from straying too far above a Fl 1.14 cross-rate against the D-mark — the level at which alarm bells start to ring loudly round at the central bank. Ten year state bonds return slightly less than 7½ per cent.

The yield curve in Amsterdam has seldom been flatter, and in its present horizontal position simply does not make for switching opportunities or healthy levels of turnover. Still, as the summer lull settles over the markets there are hopes that the second half of 1985 and can get to grips with the log-jam.

The main spur to this tentative optimism stems from the success of the Government's capital market borrowing programme which has been running well ahead of target. This is estimated at Fl 34bn. To date the Government has raised Fl 29bn of which Fl 17.7bn has been taken up in the form of long-term bonds.

The likelihood is that the second half of the year will see one or two state new bonds at worst which removes one very big constraint from both prices. The direction of the foreign exchanges permitting, the bond market could well move forward much more smoothly from now on.

New issue activity in the public bond market has been kept at a fairly low key. In contrast, the market for private placings began the year with a tremendous burst of activity with both the Dutch Government and foreign borrowers seeking heavy financing.

The private placing market has grown rapidly in recent years. Strict regulations of the public bond market by the central bank—which maintains an orderly queue system—is one explanation. But the major reasons lie with the ease and effective cheapness at which money can be raised via a private placing in Amsterdam.

The market in private placings—unlisted bonds— has now swollen to the point it accounts for more than a third of the total net supply and demand for Dutch capital. The pension funds are especially active in this type of lending. To date this year the government alone has sought and received Fl 7.5bn from private placings, or Fl 1bn more than it raised over the same months of 1984.

Euro-guilder business looks like staying dull. Some Fl 2bn was raised in this form in 1984 and a similar sum will probably emerge from 1985. The central bank is determined to keep a tight lid on euro-guilder activity in order to constrain the liquidity, much in the way that the Bundesbank monitors and directs borrowing in the euro-D-mark markets.

An interesting newcomer to the Amsterdam bond sceoe is the market that bas opened up in ECU bonds. Algemene Bank Nederland set the ball rolling in February when it issued the first Dntch ECU bond for ECUs 100m and groups like Rabobank, Bank Mees and Hope and Philips have followed suit.

The bonds have proved appealing to investors and borrowers alike. A number of banks are offering ECU savings accounts with a going rate of two percentage points and more above competing guilder accounts. So far the additional risks built into the ECU have not shown themselves too prominently.

Big changes on the way

Savings Banks

LAURA RAUN

MUCH CHANGED over the past 25 years, Dutch savings banks face still another innovation in the way they do business — perhaps the most dramatic in their history. Within months they will begin lending commercially, a move that takes them closer to universal banks and signals much wider changes in the whole financial community.

The previously distinct lines between savings, commercial and co-operative banks have increasingly been blurred in recent years, amid heightened competition, volatile interest rates and a proliferation of near-banks such as Roparco.

With financial institutions battling to protect their profits, they have been forced to offer new products and enter fresb markets. By taking on more commercial bank functions, Dutch savings banks are following the trail already blazed by their UK, West German and Scandinavian counterparts.

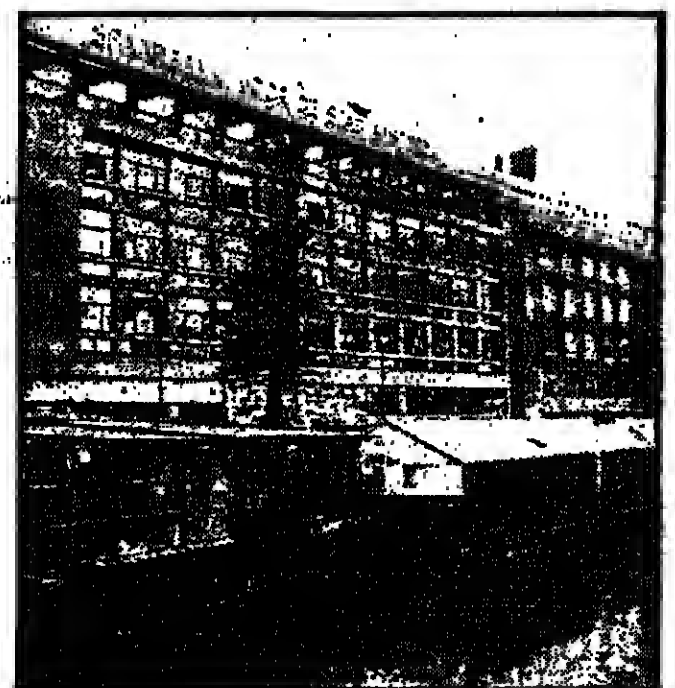
"Everyone is fighting for the same piece of cake," says Mr B. J. Feilzer, vice-chairman of the Verenigde Spaarbank, the largest savings bank in the Netherlands.

One new product introdnced by savings banks in the past two years is short-term deposits, which pay slightly higber interst rates to savers than the traditional savings accounts. Small, individual savers — the mainstay of savings banks — have increasingly demanded these short-term deposits as gyrating interest rates have revealed the real cost of money. The loans on savings banks' books, however, have historically been longer-term instruments, mostly mortgages.

Thus to improve the match between short-term liabilities and assets, savings banks are going into corporate lending, previously the domain of commercial banks. The Central Bank bas granted licences for this activity to the five largest savings banks and another four are expected to be issued by the end of the year. The Nederlandsche Bank, however, is limiting permission to those savings banks with assets above Fl 1bn.

By lending to small- and medium-sized companies, savings banks also hope to preserve their embattled share of private savers market.

Explains Mr Feilzer: "There are many one- or two-man businesses to whom we're not allowed to lend. Now we're in a position to stay with our clients whom we've had as individuals."



Spaarbank is the largest savings bank in the Netherlands. Above: the bank's premises on the Singel Gracht, Amsterdam, overlooking floating flower barges on the canal

The industry's shift toward general banking began 25 years ago with consolidation that over the years has seen the number of savings banks reduced from 300 to 32.

Mr W. F. van Leeuwen, director of the Dutch Savings Bank Association, says the association is encouraging even more mergers. "All Institutions should have at least Fl 5bn in assets, a norm that would fit well into the European context."

The industry was first given permission to enter corporate lending in 1981, but the recession of the early 1980s rendered that business less than promising. The 1981 agreement with the Nederlandsche Bank provided for a 10-year transitional period during which savings banks would be allowed more commercial bank functions.

As a trade-off for their new privileges, savings banks agreed to give up their special fiscal benefits — that is exemption from corporate tax on profits deriving from savings activities.

Beginning this year the corporate-tax rate will gradually rise over the next decade to the standard 43 per cent, sharply higher than the average 10 per cent paid in recent years. The industry was granted its favourable tax status because savings banks began in 1817 as local foundations for low-income people who had too little money or power to use commercial banks.

"Now we bave to earn enough to justify the change," warns Mr van Leeuwen. "The new infrastructure to move into commercial hanking will allow us more profits."

Profitability has been higher for savings institutions than for commercial banks, Mr Leeuwen notes. "For the past five years the commercial banks had the difficulty of international debt problems. We just made profits year after year and added them to our reserves."

Net income for all savings banks stabilised at Fl 32m in 1984. The industry also boasts that its equity-to-assets ratio is 9 per cent—three times that of commercial banks.

This performance has been achieved despite a precipitous plunge in market share of overall savings from 30 per cent 25 years ago to 15 per cent today. That share has stabilised in the past couple of years, although total savings as a proportion of national income have dropped to about 14½ per cent from nearly 22 per cent in 1973.

The industry attributes much of the decline to dissaving during the past four years of flat incomes and hopes that the saving propensity may improve with slightly higher incomes this year. But Mr P. J. Lardinois, chairman of Rabobank, warned members of the co-operative bank at the recent annual meeting that the future holds little reason for optimism.

He predicted that interest-rate margins would remain squeezed by escalating competition from pension funds and insurance companies, which offer contractual savings. Premiums paid into pension plans and annuities are tax deductible while interest income from savings are exempt only np to Fl 700 per person.

Savings banks have been complaining loud and long that the tax advantages of contractual savings have eroded their traditional savings deposits.

If deregulation of the banking industry is to proceed, they argue, then financial institutions should at least be put on an equal footing. Finance Minister H. Onno Ruding recently indicated that some limitation on the fiscal advantages of contractual savings might be in order.

The insurance companies, for their part, argue that they command a relatively minor 10 per cent of the entire contractual-savings market. Mr J. F. Peters, chairman of Aegon, Holland's second-largest insurance company, recently reminded a banking seminar that bank savings also offer fiscal advantages and that "the battle for the consumer's savings should be determined through efficiency and 'quality of financial institutions."

Perbaps of greatest concern to savings associations is the proliferation of near-banks, such as Roparco of the Robeco group of investment trusts and Nederlandsche Credietbank's Direktbank, collectively dubbed the "Roparco effect."

Roparco operates like a U.S. money market fund, proffering attractive market-related rates by containing overbead costs and passing along the savings to depositors. By piggy-backing on the bank and giro (postal) payment systems, Roparco operates through the existing clearing network and bas no need for expensive branch offices.

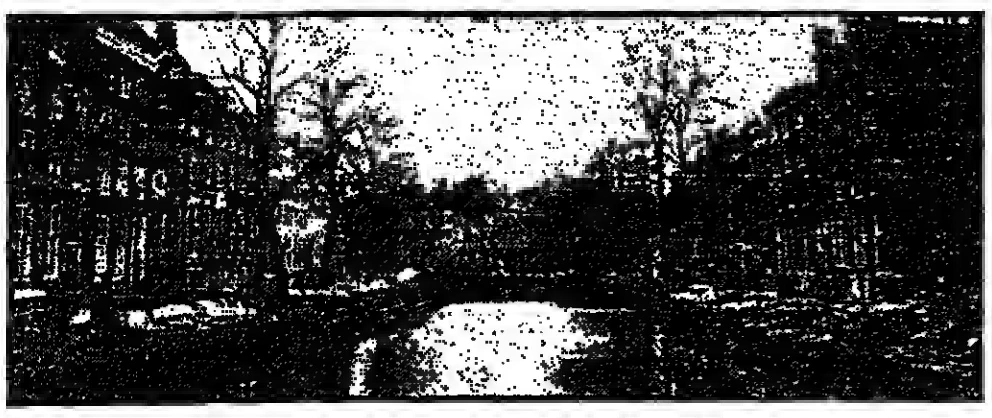
"Once you pick out the goodies and leave out the baddies you are due to receive opposition," Mr Feilzer says of Roparco's targeting of sizeable deposits with fewer transactions. Roparco's Fl1.8bn in deposits is still only a fraction of savings banks' Fl21.7bn, but this has been achieved in a short three year period.

Progress

The Direktbank of Nederlandsche Credietbank, which was wholly acquired by Chase Manhattan last year, offers retail banking services but only through the mail with no hranch network. Again by keeping down costs, Direktbank can offer hetter than average rates. After only one full year in operation and an intensive advertising campaign, the Direktbank is recognised by seven out of ten Dutchmen, Nederlandsche Credietbank claims.

One method of retaliation open to banks is to impose fees on transactions conducted through their clearing network. While a pay-as-you-go system has been widely discussed, bankers fear that a tariff battle might ensue that would damage everyone's margins.

Of little immediate concern to the saving industry is the planned start-up on January 1 1986 of the Postbank, an almagamation of the Rijksjpostspaarbank (Government savings bank) and the postal giro system. The savings bank contend that they have been competing with both the Rijkspostpaarbank and the giro system all along anyway, and that the long-discussed Postbank will provide fresh competition for the commercial banks rather than for the savings industry.



Amsterdam's many picturesque canals are now providing an unusual opportunity for Canal Bikes, a Dutch venture capital company, which is aiming to provide water-borne entertainment for tourists

Entrepreneurial spirit grows

Venture Capital

LAURA BROWN

THE "Dutch Disease," a social and ecooomic malaise that stemmed from a rich and generous state, enveloped Holland in the 1970s.

Soaring natural-gas revenues financed lavish social security benefits as the collective good took precedence over individual enterprise and personal ambition. The private sector languished under oppressive taxes and social premiums, while profit became a dirty word.

The recession of the early 1980s brought a rude realisation that rampant government spending could not be sustained and that austerity policies were necessary to rein in the public sector.

Now there is a growing feeling that the Dutch Disease is on the wane and that a "new elan" is in tha air. Public finances are being put in order, taxes are being pared and private enterprise is attracting fresh attention.

This new elan has provided fertile ground for the rise of venture capitalism in the Netherlands. In the relatively brief history of modern venture-capital funds, Holland bas sprinted to second place only behind the *UK* in the amount of money available, according to a European survey by the accounting firm of Peat Marwick.

It is estimated that 700m Eco's (European Currency Units) in venture capital funds are available in the Netherlands, far less than the UK's 3.11bn Ecus, but more than twice as much as any country on the Continent.

Mr Robert Ceurvorst, a Dutchman who is Secretary General of the European Venture Capital Association (*EVCA*), contends that there is a "rennaissance of entrepreneural spirit" in the Netherlands.

Business and labour alike realise that new technology, aided by venture capital, is a key to more jobs, Mr Ceurvorst asserts. For Europe, innovation and high technology are essential if it is to compete industrially with Japan and the U.S.

Venture capital in Holland can be traced as far back as 1621, when the Dutch West Indies Trading Company was founded on Fl 7.11m provided by the Government and burghers.

Modern venture capital began in the mid-1970s with the establishment of regional development funds, Government agencies designed to stimulate economic and social activity in those provinces lagging behind the western part of the country. A good monetary return was important but was not the overriding factor for these five funds, which together had invested a total of Fl 323m by the end of 1983.

Alongside the regional development funds is the Corporation for Industrial Projects (MIP), a mixed venture-capital company launched in 1981 to finance large projects above Fl 4m. Owned 49 per cent by the Dutch Government and 51 per cent by private interests, the MIP operates independently from the state and invests in high technology concerns that will boost Holland's competitive position. A recent example was the MIP's participation in Van Doorne's Transmissie, a small company that bas developed an innovative automatic transmission.

Private venture capital companies, however, did not really thrive until 1981 with the approval of a Government-guarantee scheme in wbich half of the original investment is guaranteed by the Dutch Government. To qualify for the guarantee, venture capital companies *must* bave a *minimum* Fl 1m capitalisation and "expert management," and invest at least 60 per cent of the initial funds within four years *of establishment. No more than* 49.9 per cent of a venture capital company's share capital, up to a maximum Fl 4m, may be invested in a given project.

Some Fl 78m has been injected into 109 companies under the four-year-old scheme. Mr Evert Elbertse, secretary of the recently formed Dutch Venture Capital Association (NVP), predicts that funds available under the guarantee scheme may jump by half to Fl 125m this year, after doubling last year.

The obstacles that impeded venture capital formation in the early 1980s are now diminishing. After suffering through the recession, corporate profitability has rebounded, providing fresh funds for investment in new products, processes and markets. Furthermore, many of the ventures backed by equity financing under the guarantee scheme are linked to the export market, which is booming.

U.S. interest

What is surprising is that so little criticism is beard about Dutch venture capital often finding a bome outside the Netherlands, and thus failing to stimulate the domestic industrial innovation and regeneration *so urgently advocated*. At least Fl 500m, or perbaps one third of the total Fl 1.77bn funds available in Holland, have been invested outside the country, Mr Elbertse estimates.

He concedes that a lot of equity financing sought the bigher yields available abroad, particularly in the U.S. in the early 1980s, but he contends that the tide is now turning. With Dutch and European ventures offering more attractive returns, Dutch venture capital funds are more often staying on this side of the Atlantic.

Amsterdam's parallel market, meanwhile, has provided an increasingly attractive outlet for venture-capital backed companies. Established in 1982 as a less restricted market alongside the official securities market, the parallel market now is flourishing after a rather sluggish start. *The number of new* listings tripled to 13 last year and the pace bas continned this year as price-to-earnings ratios have risen to remunerative levels.

Several venture capital-backed companies have obtained or are seeking parallel-market listings, the first being Pie Medical—an innovative company that develops, manufactures and sells medical electronic equipment. Begun in 1976 by two young entrepreneurs, the Maastricht-based company has lifted its sales from Fl 3.8m in 1981 to Fl 19m last year. The rapid growth was aided by several rounds of equity financing from the Limburg Instituta for Industry and Development, one of the five regional funds, as well as Nesbic, a company grouping several venture capital funds, and Nederlandsche Middenstandsbank.

In a much-heralded introduction to the parallel market in October 1984, Pie Medical made a Fl 23 a share tender offer, which was oversubscribed. Its shares are now trading at around Fl 35.50.

Venture capital is not necessarily *always identified* with high-technology companies. Perhaps the quaintest example of simple technology is an *Amsterdam* company called Canal Bikes, which rents out foot pedal-driven boats for cruising tha canals. Owner Felix Guttmann convinced Ondernemend Vermogen Nederland to provide 37½ per cent of his start-up capital and managed to turn a profit in the first year. "There are few other places where you can operate canal bikes—that's the only disadvantage of the company," Mr Guttmann concedes, although be is considering launching operations in Delft.

Now that venture capitalism has established itself as a respectable form of financing, attention is focusing on a better match between entrepreneurs and financiers. There is no *longer* a shortage of venture capital in Europe, according to Mr Ceurvorst of the EVCA, but there is a need for business-minded entrepreneurs.

What venture capitalists seem to want is aggressive managers with commercially sound ideas. "If I want to double or triple the sales and earnings and if they (the entrepreneur) want 5-10 *per cent*, then we're not talking the same language. I want to see tha whites of their eyes," says Mr John R. Padget of Padget Associates, an Amsterdam venture capital company.

More protection for investors

Investment Firms

LAURA RAUN

UNTIL NOW the Netherlands bas imposed relatively few regulations governing the activities of brokers operating outside the aegis of the bourse.

At the end of this year, however, a new law is expected to come into effect, which it is to be boped will restore the good name Amsterdam cultivated over centuries of international trade. Indeed, it is Holland's dedication to unfettered mercantilism that bas left the country an open enclave for commercial dealings.

Increasing concern has been expressed, bowever, and last November the Finance Minister burriedly unveiled legislation that will require the licensing of stock brokers and vetting of investment prospectuses.

Under the new act, securities brokers who are not members of a recognised bourse must get a license from the Finance Ministry. Recognised stock exchanges are those in the European Community, the U.S., Caneda, Australia, Switzerland and Japan. To get a license, brokers must prove expart knowledge and reliability, financial guarantees, sound conduct of business and trustworthy information given to the public.

The second major requirement is that a prospectus must accompany all issues of securities that are not listed or slated for listing on a recognised bourse. The Finance Ministry will set out prospectus requirements for the offering of securities, which are defined as stocks, bonds, options, warrants, and unit trust among other instruments.

Dr A. L. Gerla, director of the 61-year-old Dutch Investors' Protection Association, believes the new investor-protection regulations will improve *matters*. But he *criticises* the legislation as a "blunt axe" that may also cut out creative trading.

For *example*, a neighbourhood group that wants to publicly offer participation rights for renovation of a local hotel will be required to deal through a licensed broker and offer a detailed prospectus. While the participation rights may provide the holder with little more than a cut-rata room, the offering will be treated the same as a bank bond issue.

Dr Gerla is also concerned over the Finance Minister's prediction that only 30-40 broker licences would be granted initially, followed by a few annually after that.

"Dubious brokers won't get a licence," concedes Dr Gerla, "but others will also be excluded, due to the *overload* (of paper work at the Finance Ministry) and the ridiculous instructions to keep the number limited."

Dr Gerla worries that the Finance Ministry lacks the expertise to adequately police the wide range of activities which may fall within tha ambit of the new legislation. This concern is shared by the Amsterdam Stock Exchange.

The bourse has been trading independently of Government interference for four centuries and is today a self-regulating association of about 140 members.

Emboldened by its pervasive influence in the Dutch investment world, the exchange sought the power of review over licences and prospectuses. Finance Minister H. Onno Ruding, however, politely declined the exchange's offer saying that Government and private powers should not be mingled and that proprietary information could be jeopardised. The exchange may nevertheless be asked for advice in vetting prospectuses, says Mr Ruding.

Loophole

The exchange believee *that* a proposed annual audit of brokers *is too lax* and that compliance departments ought to be required, as they are for exchange members. One gaping *loophole in the law is* that a licensed broker can work right alongside a financial adviser, who does not need a permit. Tip sheets, those ubiquitous and often self-serving recommendations *on* the market, are not covered by the law.

One area that is particularly difficult to monitor is telepbone solicitation, the retail broker's stock in trade. Short of telephone-tapping, a verbal pitch by an unlicensed broker leaves no indelible record.

Even if infringements are discovered, the penalties are relatively lenient. Those found guilty face a minimum of six months in prison or a Fl 10,000 fine. For investment firms *attracting millions of dollars a* year, such a fine is not particularly threatening.

The new law, which was *quickly proposed last November* after languishing for nearly a decade, is an interim step to a larger Bill that will affect tha whole securities industry. The outdated Securities Trading Act of 1914 will be revised to create more uniform structures and supervision in the industry, probably within two years.

Mindful of the escalating competition between European financial centres, the Amsterdam Stock Exchange has carried its complaints further. The bourse wanted trading in listed shares restricted to exchange members and now fears that the imprimateur of a brokers licence will foster off-floor dealings in listed stocks. Such transactions can take place now, but the worry is that the legitimacy of a brokers licence will fuel such trading.

Also tha *independence of* brokers—as required by the bourse—is not guaranteed in the investors protection law. Exchange members cannot rely on one major client or stock for their business and must diversify to ensure fairness. The same should be required of *licenced* intermediaries, the bourse contends.

Unaddressed in the new law is insider trading, *or dealing on privileged information*. While the magnitude of insider trading is unclear, Finance Minister Ruding says the issue will be tackled in the larger Bill coming in the next couple of years. The stock exchange plans to formulate its own policies later this year.

New pressures

CONTINUED FROM PAGE ONE

the Euromarkets and recent entry into stock trading, is viewed as a promising avenue to tha city's dynamic changes surrounding deregulation.

Commercial banks soon will *be vying with savings banks for* domestic corporate business when savings associations begin commercial lending later this year. In one of tha most sweeping deregulatory moves in Holland, savings banks are being given broadened powers that will take them close to universal banks by 1991.

The 32 savings associations believe they are well-armed with bealthy balance sheets to *carve out a share of the corporate* market, specifically among small- and medium-sized companies.

Both the savings and commercial banks are under assault from a proliferation of near-banks such as Roparco, a savings fund that is part of the Robeco group of investment trusts, and Nederlandscha Credietbank's Direktbank. Collectively known as the "Roparco effect," these financial institutions can beat bank terms by passing along to customers the savings in overhead costs. Private individuals bave responded eagerly, after having learned the real cost of money througb fears of high inflation and volatila interest rates.

Roparco, which began only four years ago, bas already attracted Fl1.9bn in assets by offering above-average yields to depositors. Much like U.S. money market funds, Roparco has no branch offices of its own but taps into the bank and giro system for its transactions.

The Direktbank of Nederlandscba Credietbank, which was fully acquired by Chase Manhattan Bank last year, also has no branches but provides retail banking services through mail and telephone.

Just as competitive to traditional *savings account* has been the growth in contractual savings, that is life insurance and pension premiums. Because the premium payments are tax deductible, they are fiscally more *attractive than the Fl700* exemption on interest income from savings, the banks complain. The banks have been incensed by what they call unfair treatment and the finance minister recently indicated that ba might respond to their lament.

The insurance companies, who say they have less than 10 per cent of the contractual savings market, bave hinted that they may again try their hand at corporate lending. In tha 60s and 70s insurers did go into medium- and long-term com*mercial lending but found it* too unremunerative by the time the early 80s' recession rolled around. Insurance companies, however, are still barred from the money market.

The push and pull in the Dutch banking and finance world will clearly continue but a certain composure seems likely to prevail. Dutch banks, which historically have bad lower profit margins than their British counterparts, reckon that vicious competition would only do more harm to margins that already are squeezed.

By ensuring that deregulation proceeds slowly and some form of unity is maintained, Dutch bankers aim to preserve their long reputation as prudent money managers.

The big question is whather they can pursue such a cautious path while the rest of the banking world is spinning faster and faster. growing internationalisation, deregulation and automisation are changing the face of banking and Dutch financial istitutions must adapt or be left behind.

Mr A. Batenburg, the former rhairman of ABN, hinted at the time of his recent retirement that further mergers may ba necessary to achieve the economies of scale required for survival. Noting that both ABN aod AMRO were the result of mergers, he indicated that *further consolidation may* be the only answer for Dutch banks competing against the world's financial giants.

UK COMPANY NEWS

BBA makes good start in first five months

TRADING in the first five months of BBA's current year shows n considerable improvement over the corresponding period while the integration of Cape Automotive, purchased from Cape Industries for £15.75m, is proceeding satisfactorily. The benefits of the Cape acquisition will appear in the second half of the year.

The update from the Yorkshire-based manufacturer of brake linings and conveyor belting comes in its formal offer document for Synterials, the Dutch-based USM company which manufacture precision moulds and reinforced plastics. Last month the directors of Synterials agreed to an offer from BBA valuing the company at £14.75m.

Synterials, which made an operating loss of £335,000 in the half year to March 1985 before interest received of £863,000, has forecast that it will continue to make an operating loss for the full year. However, this will be more than offset by interest received on surplus funds prior to the capital reduction which would have resulted in some £10.27m being returned to Synterials shareholders but for the BBA nffer.

Synterials directors holding 19.71 per cent of the shares have already given irrevocable undertakings to accept the offer and not to elect for the partial cash alternative.

An extraordinary meeting has been called by BBA for July 28 to consider an increase in the authorised capital and to approve the acquisition.

F.T. Share Information

The following securities have been added to the Share Information Service—

Abbeycrest (Section: Drapery and Stores).

Clayform Properties (Property)

Datron International (Electricals)

Leisure Investments (Leisure)

Nationwide Building Society 12½pc 9/6/86 (Loans-Building Societies)

Racal Electronics 7pc Conv. Uns. Loan Stock 2009/14 (Electricals)

Viewplan (Leisure)

Tarmac considers making private sale of Plascom

BY CHARLES BATCHELOR

TARMAC, the quarrying and civil engineering group, may make a private sale of Plascom, its oil and gas exploration and production company, following its decision last month to shelve plans for a public flotation. A private sale could value Plascom at £35m-£40m.

Tarmac said yesterday it was weighing up "a lot of offers and approaches" for either part or all of its 92 per cent holding in Plascom. These approaches were made after the decision to postpone the flotation had been announced.

Tarmac has not definitely dropped the idea of a flotation, though uncertainty surrounding the price of oil and the poor state of the oil share market have made this option unattractive for the time being.

Plascom contributed pre-tax profits of between £5m and £6m out of total Tarmac profits of £109.8m in the year ended December 1984, compared with £4m out of a group total of £95.8m the year before.

Plascom last year received, for the first time, a full contribution from its 0.25 per cent interest in BP's Forties Field and carried out what it called "further promising exploration" in the Southern gas basis of the North Sea.

Plascom is headed by Mr David Hooker, former managing director with Candecca Resources, the USM-listed oil and gas group which sold its minority interest in Plascom to Tarmac in November 1983. Under the flotation plan, Tarmac intended to sell only 25-35 per cent of Plascom.

Shareholders in the 8 per cent of Plascom not owned by Tarmac include T. R. Energy and Scottish American Trust.

Optometrics profit in line with forecast

DESPITE THE strong U.S. dollar and high interest rates continuing to have an adverse impact on international trade, Optometrics (U.S.), specialists in the design and manufacture of optical components and instruments for use with lasers and fibre optics, achived its profits forecast for the year ended March 31 1985.

The company's U.S. and UK operations showed significant advances over the previous year, Mr Frank Denton, chairman, says in his annual review, the result of which the group turned in pre-tax earnings of $502,000 (£381,000), compared with $106,000.

Turnover of this USM concern amounted to $2.65m ($2.34m) and after tax nf $166,000 ($9,000) earnings came through at $336,000, compared with $97,000 giving earnings per share of 3.8 cents, against 1.2 cents.

The chairman tells shareholders that the group is well placed to further enhance its position in the current year with an order book approaching $1m. Performance to date, he adds, is running well ahead of the same period last year.

The group is taking "a more aggressive marketing posture to broaden its customer base" as well as promoting the company's newly-introduced line of Mini-Chrom peripherals in fibre optics products.

Early in the current year the group's UK operations added another major U.S. company to its customer list with an initial order of £70,000 "which should significantly strengthen its U.S. business," the chairman states.

Mr Denton adds that it is the group's hope that world currencies will become more stable "and this should enhance its international sales positinn."

Millbank acquires Towngrade for £2m

By David Goodhart

Millbank Developments, the shopping centre property developer, has reached agreement to buy the share capital of Towngrade, a USM-quoted property company, for just under £2m according to Mr Arthur Oakes, Millbank chairman.

Millbank—controlled by Mr Oakees through a 75 per cent stake—wil lecquire 70.7 per cent of Towngrade Securities, a related company as a result of the deal.

Millbank has valued Towngrade at about £1.7m on the basis of a 31.5p share price.

Sir Edward Du Cann, the Conservative MP and chairman of Lonrho, is also the chairman of Towngrade and has accepted an invitation to remain so.

Millbank has had to make a formal offer for the remaining 29.3 per cent of Towngrade Securities, but it is eagear to retain a quote through Towngrade and is expected to sell any extra shares it does acquire.

Plan to oust Wm. Mowat directors

Dissident shareholders, led by property developer Mr Brian Dunlop, are hoping to oust the directors of William Mowat, the property company, at an extraordinary general meeting today.

The company, which has a nominal capital of £1m, has been trading on the over-the-counter market with a share price of between 20p and 25p.

Mr Dunlop claims that the Mowat directors have been seeking the power to issue shares without shareholder approval. If his coup is successful he is expected to merge the company with his Peerglow Developments of Hertford.

He says he has the support of 60 per cent of the shareholders in seeking to unseat the chairman, Mr William Lomax, and three directors, Mr David Britton, Mr William Starkey and Mr R. J. Holland.

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or –	Net Div.	Times covered	Gross Yield	P.E. Ratio
§59	F.P.	—	60	58	✠ATA Selection 5p	50	......	bg1.3	2.6	3.5	16.5
180	F.P.	—	855	223	Abbey Life 5p	1050	+2	b6.5	—	4.1	—
§138	F.P.	—	140	130	✠Appletree 10p	140	......	b0.5	3.8	8.3	5.8
50	F.P.	—	50	50	Baillie G'f'd Ship Non.	50	......	—	—	—	—
§73	F.P.	—	87	78	✠Blanchards 10p	80	......	b2.1	1.6	5.7	14.1
150	200	84/7	134	99	Brent Walker 10p	105	......	b3.5	2.9	4.8	9.1
378	F.P.	10/9	253	175	British Aerospace 50p	180	......	13.53	5.1	5.3	5.5
§75	F.P.	5/5	88	80	✠Browns (G.) Car 10p	92	+3	be8.3	3.4	5.8	15.5
¶¶	F.P.	12/7	12	8	Clive Discount Wrrts.	8	......	—	—	—	—
136	F.O.	21/8	135	101	Coloroll 10p	111	+4	bg4.6	8.5	2.7	18.4
§70	F.P.	—	80	74½	✠Cranbrook Elect. 5p	80	——	b1.5	5.8	1.5	10.8
150	F.P.	—	120	118	First Security 10p	115	......	u3.3	8.5	4.3	11.5
§88	F.P.	—	90	80	✠Goodhead Print 20p	88	+1	b3.0	2.8	5.2	10.0
Ir.67	F.P.	—	77	70	Green Property Ir. 25p	70	—2	t2.57%	1.5	3.7	26.4
‖ ‖	F.O.	—	460	380	✠Heavitree Brewery	390	+10	10.75	1.9	5.8	16.8
‖ ‖	F.P.	—	450	370	Do. 'A' Lim. Vtg. Ord.	380	+10	10.75	1.0	4.0	10.4
140	F.P.	18/7	155	133	ISL 10p	132	......	g1.8	5.3	1.3	14.8
**	F.P.	—	45	44	London 1st. Wrrts	45	......	—	—	—	—
—	F.P.	—	87	25	MartinCurrieOseWnts	85	+1	—	—	—	—
120	F.P.	—	110	103	Micro Scope 10p	105	......	b1.5	4.2	2.0	14.7
60	F.P.	06/7	50½	50	Nordic Inv. Trust 10p	50	......	—	—	—	—
§170	F.P.	—	170	153	✠Pacer Systems $0.01	153	......	bg5.0c	—	1.8	—
41	F.P.	0/7	47½	37	✠Perkins(J.)Meats 10p	38	......	b.g1.8	8.0	6.8	10.0
§88	F.P.	—	113	108	✠Polypipe 10p	118	—5	b2.8	2.7	3.7	14.0
§158	F.P.	—	148	128	✠Prontaprint 10p	100	......	b1.8	3.1	8.0	23.1
113	F.P.	—	120	103	Salvesen (Christian)	120	+1	8.875	8.8	3.4	18.8
‖ ‖	F.P.	12/7	425	303	Sturge Hldgs 20p	340	......	b6.0	2.4	8.5	23.5
95	F.O.	12/5	115	91	✠Wold 5p	85	......	u2.5	8.7	3.5	11.7

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+ or –
‖	F.P.	25/7	107p	103p	Allebone 8¼% Cnv. Cum. Rd. Prf.	105p	+2
‖	F.P.	8/8	102p	86p	Caparo Inds. 8% Cnv. Cum. Prf	86p	......
¶¶	F.P.	26/7	183p	107p	Cape Inds. 8.4% Cum. Cnv. Red. Pref.	103p	+1
§	Nil	—	1pm	1pm	Euro. Ferries 5.75% Cv. Rd. Cum. Prf.	1pm	......
‖	Nil	—	3pm	1pm	✠Hunterprint 6½% Cnv. Cum. Red. Prf.	1pm	......
‖	F.P.	88/7	105	92	Kennedy Brookes 8¼% Cnv. Un. Ln. '02	82	......
90.703	£30	5/8	51½	28⅛	Malaysia 10¾% Ln. 2009	51⅛	+¼
88.80	F.P.	—	101¼	100	Mansfield Brewery 11½% Deb. 2010	100½	......
—	F.P.	—	100½	100	Nationwide Bldg. Soc. 18⅛% 30/5/86	100⅛	......
**	F.P.	—	125p	121p	Port. & Sund. 10½% 2nd. Cum. Prf.	125p	+1
§	F.P.	19/7	105p	100p	Russell (A.) 5.75% Cum. Cnv. Rd. Prf.	100p	......
94.806	£30	10/7	36¾	30	Spain (Kingdom of) 11¾% Ln 2010	35⅛	+⅛
‖	F.P.	26/7	105	100	Woolworth 8½% Cnv. Uns. Ln. 2000	103	......

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or –
60	F.P.	16/8	53	50	Ansbacher (N.)	50	......
Ir.0.40	F.P.	—	36½	27	‡‡Aran Energy 20p	27	......
33	Nil	—	4¼pm	1pm	✠Bio-Isolates	2pm	......
145	Nil	—	30pm	15pm	✠Blue Arrow	20pm	......
10	F.P.	—	14	11	✠Ecobric A £1	14	......
180	F.P.	0/8	245	236	Emess Lighting	233	......
220	F.P.	26/7	238	219	English China Clays	223	+2
210	F.P.	—	248	209	Evered	209	......
185	100	—	123	99	Hanson Trust	104	+5
230	Nil	—	45pm	20pm	London United 20p	20pm	......
385	Nil	—	22½pm	12½pm	Mills & Allen	20pm	......
180	Nil	—	17½pm	3pm	Sunlight Service 10p	3pm	......
370	F.P.	—	420	382	Taylor Woodrow	420	+12
600	Nil	—	90pm	43pm	Union Discount £1	55pm	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment letters or fully paid. ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3).

COMPANY NEWS IN BRIEF

SHORROCK, maker of advanced electronic security systems and equipment, which obtained a listing in March, has acquired the business and certain assets of Shorrock U.S. for £972,000 ($1.25m) cash. For the year to end-March 1985 Shorrock U.S. had a turnover of $1.97m and pre-tax profits of $191,000.

KNUTSFORD MOTORS, Cheshire-based Ford main dealer, has been bought by Mr John E. Lawley, with the co-operation of the Ford Motor Company and the assistance of Lombard North Central, National Westminster Bank, and County Bank Development Capital which is taking an equity participation.

EQUITY CONSORT INVESTMENT TRUST net asset value per £1 share rose from 359.2p to 383.9p for the year ended April 30 1985. Per deferred share it came out at 567.8p against 518.6p. The final dividend is 7.7p lifting the total payment from 10.325p to 11.2p. The dividend on the deferred shares is increased from 12.25p to 14p. Turnover amonnted to £2.22m (£2.76m) and net revenue came through at £818,000, compared with £564,000. Earnings per ordinary share were 12.28p (11.48p) and 18.18p (14.56p) per deferred.

GREENALL WHITLEY, brewer, has acquired the 15-pub West Midlands brewery of J. P. Simpkiss and Son for £1.9m. Consideration is 621,118 limited voting ordinary shares of 25p each fully paid, £900,000 in unlisted unsecured loan stock and cash for the whole of the issued ordinary share capital, and £3,000 for the issued preference share capital.

COMPANIA TELEFONICA Nacional de Espana has placed 15m existing shares, primarily with UK institutions.

HARVEY & TOMPSON has acquired the assets of Wilkins Brothers, pawnbrokers, for £300,000 cash, and has agreed to buy the jewellery stock for an additional £30,000. Wilkins made a pre-tax profit of £39,000 for the year ending January 31 1985.

BOARD MEETINGS

TODAY

Interims:—Gordon Kerr, Kennedy Brookes, SGB.

Finals:—Barrie Investments and Finance, Batleys of Yorkshire, A. F. Bulgin, Carclo Engineering, Gilbert House Investments, F. N. Lloyd, Memcom International, Vinten, Wight Collins Rutherford Scott.

FUTURE DATES

Interims:—

Alexanders Holdings	July 18
Gestetner	July 18
Granada	July 11
Hill and Smith	July 25
Karshaw (A.)	July 11
Leisuretime International	July 8
Rank Organisation	July 11
Rank Precision Engineering	July 11
Securiguard	July 9
TBL Thermal Syndicate	July 12
Teca	July 10
Vantona Viyella	July 10

Finals:—

Anderson Strathclyde	July 17
British Bloodstock Agency	July 18
Davy	July 18
Fleming Enterprise Invest. Tst.	July 26
Fleming Technology Inv. Tst.	July 17
Park Food	July 16
Warehouse	July 25

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*Associated Newspaper	July 9	Interim 4.5
BET	July 10	Final 0.75
Barclays	Aug 2	Interim 12.5
*Britoil	July 12	Interim 3.3
Brown (J.)	July 24	Final nil
Burnett and Hallamshire	June 22	Final 4.75
*Charter Cons.	July 17	Final 7.25
Commercial Union	Aug 7	Interim due
*Davy Corpn	July 18	Final 2.585
Dee Corpn	July 25	Final 3
*Distillers	July 17	Final 0.15
*Dixons	July 17	Final 3.4
Dowty	July 10	Final 2.8
*Gestetner	July 18	Interim 0.5
Glynwed Int	Aug 6	Interim 3.25
*Granada	July 11	Interim 2.3
Great Universal Stores	July 19	Final 10.5
Greycoat City Offices	July 12	Final 0.8
GKN	Aug 7	Interim 4
Haslemere Estates	July 12	Final 6.61
*IGI	July 25	Interim 12
Imperial Go	July 12	Interim 3.0
*Lex Service	July 26	Interim 4.1
*Johnson Matthey	July 12	Final 7.0
*Lloyds Bank	Aug 2	Interim 0.5
Lonrho	Aug 2	Sec Int 3.5
*Magnet and Southerns	July 10	Final 2.7
*Mercantile Houses	July 31	Final 8.25
Midland Bk	July 25	Interim 11
*NatWest	July 30	Interim 12.0
Nottingham Mfg.	July 23	Interim 1.45
Ocean Transport	Aug 1	Interim 2.15
Prop Sec Inv. Tst.	Aug 8	Final 1.5
*Rank Organisation	July 11	Interim 4.8
*Ratners	July 15	Final 1.63
*Rothmans Intl	July 11	Final 4.0
Royal Dutch Pet.	Aug 0	Interim due
*STC	Aug 10	Interim 3.25
Shell Transport	Aug 9	Interim 11.0
TI	Aug 2	Interim 5
*Union Discount	July 17	Interim due
*Vantona Viyella	July 10	Interim 4.0

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

FINANCIAL TIMES STOCK INDICES

	July 5	July 4	July 3	July 2	July 1	June 28	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	82.28	88.07	88.05	81.65	81.68	81.70	86.88	78.02	127.4	40.0
Fixed Interest	86.85	86.85	86.78	86.74	86.67	86.38	85.06	82.17	150.4	50.0
Ordinary	953.7	981.0	942.3	954.3	938.3	938.5	1004.5	928.7	1024.5	40.0
Gold Mines	410.8	405.7	407.2	406.0	420.8	485.1	536.9	405.7	734.7	43.4
FT-Act All.Share	607.21	602.13	598.58	604.24	600.52	606.54	644.81	581.88	644.81	61.2
FT-SE100	1260.0	1249.1	1236.3	1260.8	1246.8	1234.8	1384.4	1206.1	1342.4	986.9

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
3 Mar	5 Sep	Treas 8¼pcCnv '85	99½	25.1	8.81	12.70
22 May	22 Nov	Exch. 12¼pc 1985	99[illegible]	15.4	12.26	12.10
25 Aug	25 Feb	Exch. 11¾pc '86	99[illegible]	21.1	11.77	11.96
11Oct	11Apr	Treas. 10pcCnv 1986	98[illegible]	5.3	10.14	11.83
19 Nov	19 May	Treas 3pc 1986	94[illegible]	12.4	3.17	9.60
14 Nov	19 May	Exch. 10½pc Cv '86	99[illegible]	12.4	10.59	11.51
12Dec	12Jun	Treas 12pc 1986	100[illegible]	7.5	11.94	11.37
10 Jan	10 Jul	Treas 8½pc 1984-86‡‡	97[illegible]xd	3.6	8.71	11.16
29 Apr	29 Oct	Exch. 14pc 1986	103	25.3	13.62	11.56
21 May	21 Nov	Exch. 2½pc 1986	93[illegible]	15.4	2.70	7.86
22Jul	22Jan	Exch. 13¼pc 1987	102[illegible]xd	17.6	12.93	11.34
10 Aug	10 Feb	Treas 10¼pcCv '87	98[illegible]	4.7	10.40	11.28
24Aug	24Feb	Exch 2½pc 1987	91[illegible]	18.1	2.73	8.25
6Oct	6Apr	Exch. 10½pc 1987	98[illegible]	1.3	10.64	11.26
1 Nov	1 May	Funding 6½pc '85-87‡‡	93[illegible]	25.3	6.98	10.70
12Dec	12Jne	Treas. 10pc 1987	97[illegible]	7.5	10.23	11.27
14Jan	14Jly	Treas 3pc 1987	90[illegible]xd	7.6	3.33	8.43
3May	3Nov	Treas. 12pc 1987	101[illegible]	27.3	11.84	11.22
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	93[illegible]xd	19.6	8.31	10.84
10Nov	10May	Exch 10½pc '88	98[illegible]	3.4	10.69	11.24
14Dec	14Jne	Treas 9¾pc Cv '88	96[illegible]	8.5	10.13	11.25
1Jan	1Jul	Transport 3pc '78-88	86[illegible]xd	28.5	5.48	8.35
25 Apr	25 Oct	Treas. 9½pc '88	95[illegible]	19.3	9.96	11.26
22 Aug	22 Feb	Treas 11½pc 1989	100[illegible]	16.1	11.49	11.29
18 Oct	18 Apr	Treas 9½pc Cnv. '89	94[illegible]	12.3	10.04	11.26
15Nov	15May	Treas 3pc 1989	80[illegible]	—	3.74	9.24
14Dec	14Jun	Treas 10½pc 1989	97[illegible]	8.5	10.77	11.25
1Feb	1Aug	Exch.10pc 1989	95[illegible]xd	25.6	10.44	11.31
29 Mar	29 Sep	Exch 11pc 1989	98[illegible]	20.2	11.14	11.30
15 Apr	15 Oct	Treas 5pc 1986-89	84[illegible]	11.3	5.93	9.52
18 Jul	15 Jan	Treas 13pc 1990‡‡	106[illegible]xd	10.6	12.19	11.05

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Oct	Apr	Marley	80	11.3	3.75	2.2	6.7	9.7
Feb.	Oct	Marling Ind. 10p	91	24.12	tn3.0	5.6	2.3	10.7
Dec	June	Marshall L'ey '4'	53	29.4	2.4	4.9	5.0	4.5
Jan	July	Marshall's Universal	66	3.6	2.9	1.4	4.3	(20.9)
June	Dec	Do 7½pcCnRedPf £1	81	1.7	7½%	—	13.2	—
Nov	May	Martin-Black	22	5.79	—	—	—	—
—		Mathesons 7½%	195	30.6	Q7½%	2.3	18.5	—
—		Maxprint 1p	32	—	—	—	—	—
Jan.	June	Metal Box £1	465	17.6	17.25	3.1	5.3	7.0
Nov.	June	Metal Closures	138	15.4	6.7	2.0	6.9	8.6
—		Metal Sciences 2½p	11	—	—	—	—	—
July	Jan	Midland Marts	83	1.7	4.0	ϕ	6.9	ϕ
Jan	May	Mitchell Cotts	69	25.3	14.0	1.5	8.3	9.9
Jan.	July	Morgan Crucible	207	29.4	8.0	1.6	5.5	14.4
May		Morris (W) P.A. 20p	31	—	g0.5	ϕ	2.3	ϕ
Jan.	Aug.	Moss (Robt.) 10p	98	3.6	3.0	2.5	4.4	10.8
July		Myson Grp 10p	71	13.5	g2.5	3.4	5.0	13.5
Nov	June	NMW Computers	240	29.4	b4.8	2.7	2.6	20.0
Mar.	Sept.	Nash Inds.	28	14.1	‡2.5	1.3	‡	6.4
Oct.	April	Neil & Spencer 10p	22	8'82	—	—	—	6.6
Jan	July	Newman Inds 10p	34	12.79	—	—	—	(18.3)
Jan July		Do 10pc Cm.Cnv Pf	33½	3.6	10%	—	4.3	—
April	Oct	Nolton	47	21.11	g1.1	4.5	3.3	7.9
Jan	Aug.	Norcros	168	24.12	8.6	2.2	7.6	8.1
Oct.	April	Nu-Swift 5p	56	3.6	3.0	1.6	7.7	10.7

INSURANCES

LEISURE

LEISURE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Apr.	Oct	First Leisure £1	279	25.2	6.5	2.8	3.3	13.0
—		GRA Group 5p	58	—	—	—	—	—
Jan	June	Grampian TVA 10p	26	13.5	h1.61	ϕ	9.2	ϕ
May	Oct	HTV Non/Vtg	190	25.3	h7.0	2.9	7.7	5.9
May	Oct	Horizon	110	15.4	ϕ4.4	3.6	5.7	4.9
Jan	July	Insight	158	29.4	2.5	6.5	2.3	9.6
Jan	Aug	Intasun 10p	134	28.12	‡4.4	2.8	4.7	11.0
—		Interven Video 10p	7½	11.83	—	—	—	—
Nov	June	Juliana's Hldgs 2p	178	13.5	1.0	1.8	1.4	29.3
Jan	April	LWT	252	15.4	14.4	2.3	8.2	7.6
—		Leisure Inv 10p	25	—	—	—	—	—
Jan	Jul	Leisuretime Int 10p	56	29.4	2.1	3.9	5.4	6.0
June	Jan	Mecca L. Ag. M. 10p	162	14.1	48.75	1.3	7.7	14.5
—		Media Tech Int 20p	157	—	u92.58	3.9	2.3	15.5
Apr.	Dec	Medminster 10p	175	11.3	t4.85	2.6	4.0	11.7
Oct	May	Miss World 10p	200	25.3	3.6	4.1	2.6	13.6
May		Nationwide Leisure	75	11.3	13.75	2.5	7.1	6.6
—		Nimslo Int 20c	22	—	—	—	—	—
July		Owners Abroad	20½	29.4	1.0	ϕ	7.0	ϕ
—		Photax (Lon.)	45	4'82	—	—	—	—
April		P'dilly Radio NV 5p	22	28.1	1.87	1.1	12.4	10.6
December		Pineapple Dnc. St 10p	40	24.12	41.5	1.2	5.4	21.5
Sept.	Apr.	Pleasurama 5p	228	13.5	h4.6	3.7	2.9	15.5
—		Do 7pcCvCnRedPf	138	—	—	—	—	—
May		Pres Entertain 50p	85	15.4	g2.0	2.1	3.4	20.2

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

MINES

Central Rand

Eastern Rand

Far West Rand

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Anglo Utd. Dev.	32	—	—	—	—
—		Centennial Min'ls	140	—	—	—	—
—		Colby Res Corp	85	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c	475	14.1	t0100c	1.4	8.3
—		Ennex Int. Ir10p	29	—	—	—	—
Sept	Feb	Hampton Areas 10p	127	25.12	3.75	ϕ	4.0
—		Highwood Res.	140	—	—	—	—
May	Aug	Homestake Mining $1	£17	22.5	Q20c	—	1.1
—		McFinley Red Lake	220	—	—	—	—
—		Muiro Explorations	240	—	—	—	—
—		New Sabina Res C$1	45	—	—	—	—
—		Northgate C$1	250	9.77	—	—	—
Jan.	July	RTZ	572	13.5	20.0	2.7	5.0
Jan	July	Do 9½pc Ln '95-2000	£123½	15.5	Q9½%	14.0	0.1
—		Tara Expln $1	£10	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- N Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ♦ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ◆ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ϕ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ǁ No par value.

B Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1985. S Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

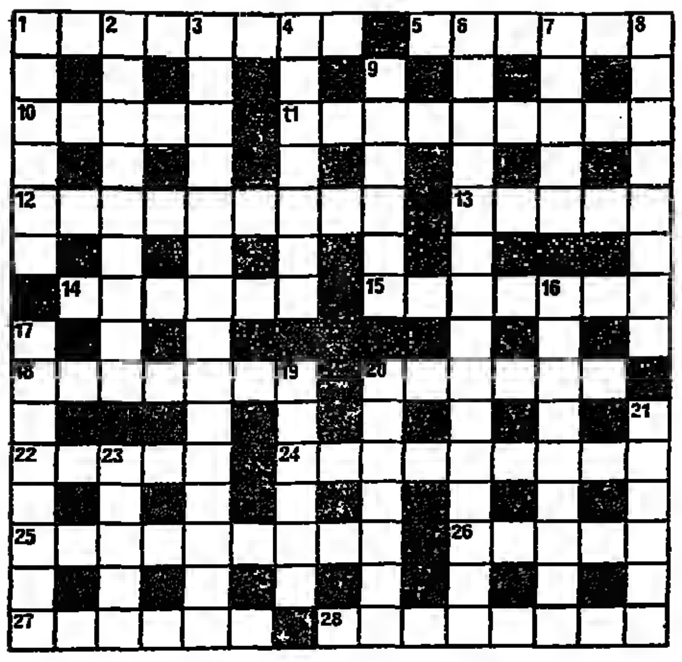
REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	180		Arnott	165	
Craig & Rose £1	700xd		CPI Hldgs.	56	
Finlay Pkg 5p	61		Carroll Inds.	130xd	+1
Higsons Brew	225		Dublin Gas	53	
Holt (Jos) 25p	725		Hall (R. & H.)	56	
Jaff Sim. £1	80		Heiton Hldgs.	27	+2
IRISH			Irish Ropes	46	
Fund 11¼% 1988	£99¼	+¼	Jacob (W. & R.)	80	
Nat. 9¾% 84/89	£94¼xd		Unidare	87	
Fin. 13% 97/02	£104½				

"Recent Issues" and "Rights" Page 22
(International Edition Page 27)

F.T. CROSSWORD PUZZLE No. 5,763



ACROSS

1 I'm off food and water (8)
5 Water jump (6)
10 Doesn't lose in cutting the cackle? (5)
11 The claims set out by one seeking gold (9)
12 Overtime pay for a barman (9)
13 A demonstration, and what is wrong about it (3-2)
14 Protection for king caught in an intriguing situation (6)
15 Is angry about the shrub (7)
18 Tiny set-back in the fight for fast U.S. motor traffic (7)
20 Where gambling is a bad thing in company (6)
22 Sort of marbles Nigel played with (5)
24 He glosses over things (9)
25 Lamentable end to rich eccentric (9)
26 Leaves 50 out on the roof (5)
27 Want to disguise hatred (6)
28 Tightly packed Wimbledon crowd may well enjoy it (5, 3)

DOWN

1 Barber-shop singer (6)
2 Check the power of support? (9)
3 Exhortation to husband (5, 3, 4, 3)
4 Hide article in play (7)
6 They're not after work (8, 7)
7 I do it wrongly, being a fool (5)
8 A regent's devious approaches (4, 4)
9 Are they made by scratch teams? (6)
16 Tom's vital statistics (4, 5)
17 Influenced in an unnatural way (8)
19 Gives in or gives out (6)
20 Risk of getting left in church (7)
21 Good health shown by professional model (6)
23 She upsets Edgar (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

NOTICE OF REDEMPTION
TO THE HOLDERS OF

City Investing Finance N.V.

Guaranteed Floating Rate Notes Due 1986
(Convertible into 8½% Guaranteed Notes due 1991)

NOTICE IS HEREBY GIVEN that, pursuant to the Fiscal Agency Agreement dated August 1, 1979 among City Investing Finance N.V. (the "Company"), City Investing Company, as Guarantor and Manufacturers Hanover Trust Company as Fiscal Agent, the Company has elected to redeem all its outstanding Guaranteed Floating Rate Notes due 1986 at 100% of their principal amount, on August 1, 1985.

Interest on the Notes will cease to accrue on August 1, 1985.

The August 1, 1985 and subsequent coupons should be detached and presented for payment in the usual manner. The Notes will pay accrued interest in the amount of $46.51 per coupon.

The Notes may be presented for payment at the following addresses:

If By Hand
Manufacturers Hanover Trust Company
130 John Street
Corporate Trust Window
Ground Floor
New York, New York

If By Mail
Manufacturers Hanover Trust Company
Coupon Paying Department
P.O. Box 2882, GPO Station
New York, New York 10116

The Notes may also be surrendered at the main offices of the following agents:

Amsterdam Rotterdam Bank N.V., Amsterdam
Banque Bruxelles Lambert S.A., Brussels
Berliner Handels- und Frankfurter Bank, Frankfurt
Manufacturers Hanover Trust Company, London
Banque de Paris et des Pays-Bas pour le Grand-Duche de Luxembourg S.A., Luxembourg
Banque de l'Indochine et de Suez
Banque de Paris et des Pays-Bas, Paris

Dated June 24, 1985

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are *mainly* for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

COMPANY MEETINGS—
Cater Allen Hldgs, 1, King William Street EC, 12.00
Goldberg (A.), Albany Hotel, Bothwell Street, Glasgow, 11.30
Southern Counties Agricultural Trading Society, Brigham Young Hall, Staple Gardens, Winchester, 2.50
Sumner (F.), Great Eastern Hotel, Liverpool Street, EC, 12.00

TODAY
BOARD MEETINGS—
Finals:
Barrie Invests and Finance
Barclays of Yorkshire
Bulpin (A. F.)
Carclo Engineering
Gilbert House Invests
Lloyd (F. H.)
Memcom Intnl
Vinten
Wight Collins Rutherford Scott
Interims:
Goring Kerr
Kennedy Brookes
SGR
DIVIDEND & INTEREST PAYMENTS—
Alpine 0.6p
Allied Irish Banks Fltg Rate Nts 1987 $48.98
Avon Rubber 2.2p
Cambrian & General Securities 0.25p
British Home Stores 5p
BBA Grp 0.9p
Centex Corp 0.0825cts
Falcon Mines 70cts
Grattan 2p
Guinness Peat Grp 0.9p
Hapoalim Intnl Gtd Fltg Rate Nts 1987 $400.6
Hardanger Properties 2.6p
Inter-American Development Bank 12½pc Ln 2003 6¼pc
Kennedy Brookes 0.875p
London & Northern Group 5.05p
MacDonald Martin Distilleries A 15.5p, B 6.75p
Micro Business Systems 1.25p
North British Can Invest Co 4.3p
Perry (Harold) Motors 2.75p
Sandhurst Marketing 0.812p
Sperrys Automotive & Eng Products 1.525p
Standard Chartered Finance Gtd Fltg Rate Nts 1994 $480.28
Systems Reliability 2.86p
Valin Pollen Intnl 1p
Warrington (Thomas) 2.25p

TOMORROW
COMPANY MEETINGS—
Cakebread, Robey, 318-326, Southbury Road, Enfield, Middx, 10.00
East Midland Allied Press, Peterborough Most House, Thorpe Wood, *Peterborough*, 2.45
Gieves Grp., Browns Hotel, Dover Street, W, 12.00
Hanover Invs, Connaught Rooms, Great Queen Street, WC, 10.30
Henderson Grp, Ironmongers' Hall, Shaftesbury Place, Barbican, EC, 12.00
Marks & Spencer, Royal Lancaster Hotel, Lancaster Terrace, W, 11.00
Sims Catering, Queens Hotel, Farnborough, Hants, 2.45
Time Products, Chartered Accountants Hall, Moorgate Place, EC, 10.30
Young & Co's Brewery, London West Hotel, Lillie Road, SW, 1.00
BOARD MEETINGS—
Finals:
Evans of Leeds
Intasun Leisure
REA
Stirling Group
Interims:
Associated Newspapers
County Properties
Daily Mail and General Trust
Leisuretime Intnl
Securiguard
DIVIDEND & INTEREST PAYMENTS—
Eagle Corp 3cts
Cater Allen Hldgs 20.875p
Cass Grp 3.3p
Charterhall 0.6p
Goldberg (A.) 0.5p
Leumi Intnl Invs Gtd Fltg Rate Nts E 1987 $23.90
New Cavendish Estates 1.2p
Property Hldg & Inv Tst 1.01p
Stockholders Inv Tst 1.1p
Sweden (Kingdom of) Fltg Rate Nts $474.5
Trielus 0.05p
Young & Co's Brewery A 3.4p, Non-Vtg 3.5p

WEDNESDAY JULY 10
COMPANY MEETINGS—
Burrough (James), Park Lane Hotel, Piccadilly, W, 12.15
Carless, Capel & Leonard, Connaught Rooms, Great Queen Street, WC, 12.00
Continuous Stationery, Great Eastern Hotel, Liverpool Street, EC, 12.00
Delyn Packaging, Caerphilly, Mid Glamorgan, 12.00
Deritend Stamping, St Richards House, Victoria Square, Droitwich, Worcs, 12.30
Foster (John), Black Dyke Mills, Queensbury, Bradford, 12.30
Henderson Administration Group, 26, Finsbury Square, EC, 12.00
Hobson, Institute of Chartered Accountants, Moorgate Place, EC, 11.00
London & Overseas Freighters, Baltic Exchange, 14-20, St Mary Axe, EC, 11.00
Moss (Robert), Brewers Hall, Aldermanbury Square, EC, 11.30
Tootal, City Art Gallery, Mosley Street, Manchester, 12.00
Weeks Associates, Danum Hotel, Doncaster, S. Yorks, 12.00
BOARD MEETINGS—
Finals:
Bulmer (H. P.)
Joseph (Leopold)
Magnet and Southerns
Interims:
Eurotherm Intnl
Gresham Trust
M and G Dual Trust
Pericom
Romney Trust
Southern Business Leasing
Tace
Vantona Viyella

DIVIDEND & INTEREST PAYMENTS—
Allied Irish Banks 5p
British Printing & Comm Corp 3p
CNA Gallo 12cts
Foster (John) 2.5p
Hewden-Stuart Plant 1p
Imperial Chemical Inds 8pcLn 1988-93 4pc
Keystone Inv 4p
Land Securities 5.55p
Local Authority 10⅞pc 10.7.85 5⁷⁄₁₆pc
London County 6½pc 1986-90 3¼pc
MMT Computing 1.2p
Mid-Sussex Water 4.9pc Max Addl 2.45p
NSS Newsagents 1.35p
Nabisco Brands 67cts
RBC Intnl Inc Fd Ptg Red Prf 48cts
Smaller Co's Intnl Tst 1.2p
Treasury 8½pcLn 1984-86 4¼pc
Treasury 11¾pc 1991 5⅞pc

THURSDAY JULY 11
COMPANY MEETINGS—
Allied-Lyons, Plaisterers Hall, 1, London Wall, EC, 11.30
Altifund, 2, St Mary Axe, EC, 12.30
Atkins Bros, Old Cottages, Lower Bond Street, Hinckley, 12.00
British & American Film, Brook House, 113, Park Lane, W, 12.15
Brown & Jackson, Battle Bridge House, 300, Grays Inn Road, WC, 10.00
Brownlee, Albany Hotel, Bothwell Street, Glasgow, 12.00
Dalgety, City of London Club, 19, Old Broad Street, EC, 12.00
Harrisons & Crosfield, Baltic Exchange, 14-20, St Mary Axe, EC, 11.15
Parkland Textile, Parkway Hotel, Leeds, 12.30
Plessey, Millbank Tower, 21-24, Millbank, SW, 12.00
Ward White Group, Merchant Taylors Hall, 30, Threadneedle Street, EC, 12.00
BOARD MEETINGS—
Finals:
BR and EA
Jones Stroud
Monk (A.)
Rothmans Intnl
Sommerville (William)
Symonds Engineering
Interims:
Anglo-American Securities
Birmid Qualcast
First Leisure
Granada
Kershaw (A.)
Rank Organisation
Rank Precision Inds
Tribune Invest Trust
Webber Electro Components
DIVIDEND & INTEREST PAYMENTS—
Asset Special Situations Tst 0.5p
Bank of Nova Scotia Fltg Rate Dbs July 1994 $455.64
Banque Nationale de Paris Fltg Rate Nts 1987-90-94 $4567.65
Creditanstalt Bankverein Subord Fltg Rate Nts 1994 $220.25
General Mining Union Corp 6pcCumPf 6cts
Gieves Grp 2p
Henderson Administration Grp 12p
Imperial Cold Storage & Supply 3.90625p
Investors in Industry 10½pcLn 1986 5¼pc, 11pcLn 1986 5½pc, 11½pcLn 1990 5¾pc
Lasmo Eurofinance Fltg Rate Gtd Nts 1989 $252.53
MEPC 2.5p
Misr Fin Gtd Fltg Rate Serial Nts 1990 $471.55
Moss Bros 3.46p
National Bank of Canada Fltg Rate Dep Nts July 1991 $229.58
RHP Grp 1.65p
Yorklyde 3.75p

FRIDAY JULY 12
COMPANY MEETINGS—
Airsprung Grp, Airsprung Jubilee Club, Canal Road, Trowbridge, Wilts, 2.30
Headlam, Sims, Chapel House, 12A, Upper Berkeley Street, W, 11.00
Osborne & Little, Waldorf Hotel, Aldwych, WC, 11.00
Personal Assets Tst, 1, Charlotte Square, Edinburgh, 12.30
Rowe Evans Invs, Great Eastern Hotel, Liverpool Street, EC, 12.00
UEI, Connaught Rooms, Great Queen Street, WC, 12.00
BOARD MEETINGS—
Finals:
Elswick-Hopper
Johnson Matthey
Oldacre
Interims:
Britoil
TSL *Thermal Syndicate*
DIVIDEND & INTEREST PAYMENTS—
Aberdeen Construction Grp 5.05p
Altifund 8.1p, Cap 0.305p
Arrow Chemicals 1.3p
Barlow Rand 21cts, Drfd 21cts
British & American Film 3.2125p
Brownlee 2.7p, SpcPf 17.5p
Caisse Centrale de Cooperation Econ 12⅛pc Gtd Ln 2015 6⅛pc
Cakebread Robey 2.5p, A NonVtg 2.5p
Carrs Milling Inds 1.75p
Delyn Packaging 1.5p
Earlys of Witney 6pcPf 2.1p
East Midland Allied Press 2.08p, A (Lim. Vtg) 2.08p
Feedex Agricultural Inds 0.5p
Geers Gross 2p
General Stockholders Inv Tst 1.15p
Greenall Whitley Lim. Vtg 2.0726p, A 0.4145p
Henderson Grp 3.75p
JSD Computer Grp Intnl 1.5p
Markheath Securities 5.2p
Marks & Spencer 2.32p
National Australia Bank 13.5cts
Parkland Textile 3.2p, A Non-Vtg 3.2p
Radio Clyde Non-Vtg 1.25p
Ranks Hovis McDougall 1.84p
Schlumberger 30cts
Tiger Oats 90cts
UEI 3.25p
Ward White Grp 4p

SATURDAY JULY 13
DIVIDEND & INTEREST PAYMENTS—
General Funds Inv Tst 5pcPf 1.75p, 5½pc Db 1983-88 2¾pc

SUNDAY JULY 14
DIVIDEND & INTEREST PAYMENTS—
Funding 3½pc 1999-2004 1¾pc
Treasury 3pc 1987 1½pc
Treasury 12½pcLn 1995 6¼pc
Treasury 15pc 2000 6½pc
Welkom Gold Mining 107cts

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80, Holdenhurst Rd., Bournemouth 0202 292373

High Income				
Gilts & Fixed Int.	110.7	117.2	+0.3	10.24
High Inc Equity	69.7	74.2	+0.5	6.67
Worldwide Bond	143.6	152.8	-0.1	6.35
Capital Growth				
American Growth	135.2	143.8	-0.2	2.19
Asian Pacific	46.4	49.4	-0.5	2.53
Assets & Emrg. Tt.	72.2	77.2	+0.4	2.90
Capital Reserve	57.2	57.5	+0.1	—
Commodity & Eng.	67.5	72.6	+0.6	3.42
General	103.2	110.4	+1.3	3.45
Japan	146.1	157.1	-0.5	—
UK Growth Acc Units	98.1	105.5	+0.3	—
UK Growth Dist.	69.9	74.2	-0.2	2.08
U.S. Emerging Co's	54.9	58.8	-0.1	0.44
E[illegible] Prog.	155.5	166.1	+1.5	3.66

Aitken Hume
30, City Road, EC1Y 2AY. 01-628 6626

American Tech Fd.	105.6	113.0	—	6.10
Pacific Fd.	120.2	128.6	—	0.70
Secured Income Fd.	137.9	147.5	+0.1	5.50
Special Sits	151.5	162.1	+0.6	1.56
Energy Fd.	31.0	35.3	—	0.60
American Mercury	58.0	62.1	—	1.56
Small Cos Fd (Offer 1)	28.6	29.9	-0.1	1.97
Jap. Technology	54.6	58.6	-0.2	0.10
International Income	50.0	53.5	+0.2	7.00
Exempt	443.6	424.6	—	—

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar House, Rotten, Brentwood, Essex
Brentwood. (0277) 211459 & 229123

[illegible]

Brown Shipley & Co. Ltd. (a)(g)
9-17 Perrymount Rd, Haywards Hth 0444 458144

B.S. Fund	46.3	49.5	+0.4	4.44
B.S. Accum.	75.1	80.3	+0.6	4.44
Financial	96.4	103.7	+1.0	3.04
Growth Accum.	152.0	163.4	+0.6	—
Growth Income	99.1	106.6	+4.2	1.95
High Income	48.2	51.9	+0.4	7.26
Income	55.4	59.6	+0.6	6.20
North American	51.7	55.7	-0.9	1.56
Orient	47.5	51.1	+0.2	0.21
Recovery	26.3	28.3	+0.3	3.72
Technology	119.3	128.4	-1.5	0.68
Exempt	157.2	169.3	+1.4	3.13

Buckmaster Management Co. Ltd. (a) (c)
The Stock Exchange, EC2P 2JT. 01-588 2868

General Inc June 27	155.5	163.6	.....	3.19
Accum Units June 27	241.7	254.5	—	4.19
Income July 3	73.6	77.0	.....	5.80
Accum Units July 3	122.5	129.1	.....	5.80
Intl July 2	102.4	106.9		3.18
(Accum Units) July 2	133.1	138.9		3.18
Smaller Co's July 3	841.6	898.1	-6.4	1.69
(Accum Units) July 3	883.0	942.3	-6.7	1.69

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY. 01-242 1148

CS Japan Fund	42.2	44.8	+0.5	6.48
CS Portfolio Inv. Fd	48.2	51.3	+0.8	5.90

Canada Life Unit Trust Mngrs. Ltd.
2-6 High St, Potters Bar, Herts. P Bar 51122

Can Gen Dist.	87.1	91.7	+0.5	3.48
Do. Gen. Accum	132.8	139.8	+0.7	3.48
Do. Income Dist.	61.8	65.0	+0.5	6.09
Do. Inc. Accum.	120.9	127.2	+1.0	6.09
Gilt & Fxd. Int. Trust	35.2	37.1	+0.1	—

Cannon Fund Managers Ltd. (z)
1, Olympic Way, Wembley, HA9 0NB. 01-902 8876

Growth	211.3	224.7	+0.3	3.80
Income	245.2	260.8	+0.3	5.29
Far East	114.3	121.6	-0.5	0.80

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Allied Dunbar Assurance PLC
Allied Dunbar Ctr, Swindon SN1 1EL. 0793 28291

Fixed Int. Dep. Acc.	205.1	[illegible]	.....	—
Equity Acc.	499.1	[illegible]	.....	—
Property Acc.	303.8	[illegible]	.....	—
Far East Acc.	99.8	[illegible]	.....	—
Managed Cap.	264.7	[illegible]	.....	—
Managed Acc.	418.0	440	.....	—
O'seas Earnings Acc.	327.5	[illegible]	.....	—
Gilt Edged Acc.	232.7	[illegible]	.....	—
American Equity Acc.	308.5	[illegible]	.....	—
American Man. Acc.	152.6	[illegible]	.....	—
American Prop Acc.	118.3	[illegible]	.....	—
Pen.F.I.Dep.Cap.	224.5	[illegible]	.....	—
Pen.F.I.Dep.Acc.	335.0	[illegible]	.....	—
Pen. Prop. Cap.	370.8	[illegible]	.....	—
Pen. Prop. Acc.	611.3	[illegible]	.....	—
Pen. Man. Cap.	512.4	[illegible]	.....	—
Pen. Man. Acc.	841.8	[illegible]	.....	—
Pen.Gilt Edg.Cap.	241.9	[illegible]	.....	—
Pen. Gilt Edg. Acc.	326.9	344	.....	—
Pen. Eq. Cap.	702.0	[illegible]	.....	—
Pen. Eq. Acc.	577.5	[illegible]	.....	—
Pen. Am. Eq Cap.	130.4	137	.....	—
Pen. Am. Eq Acc.	137.2	[illegible]	.....	—
Pen. Far East Cap.	109.3	[illegible]	.....	—
Pen. Far East Acc.	115.0	[illegible]	.....	—
Pen. B.S. Cap.	233.4	[illegible]	.....	—
Pen. B.S. Acc.	339.0	[illegible]	.....	—
Pen. D.A.F. Cap.	187.9	[illegible]	.....	—
Pen. D.A.F. Acc.	243.1	249	.....	—
Pen. Mortgage Cap.	105.7	[illegible]	.....	—
Pen. Mortgage Acc.	111.3	117	.....	—

Ambassador Life Ass. Co. Ltd.
80 Holdenhurst Rd, Bournemouth BH8 8AL 0202 292345

Equity Fd Acc.	100.9	106.3	+0.5	—
Equity Fd Cap.	96.7	101.9	+0.4	—

Barclays Life Assur. Co. Ltd.
252 Romford Road, E7. 01-534 5544

Barclaybond (z)	282.6	[illegible]	[illegible]	—
Equity Accum. (z)	320.5	[illegible]	[illegible]	—
Do. Initial (z)	297.6	[illegible]	[illegible]	—
Gilt-edged Accum. (z)	183.1	[illegible]	[illegible]	—
Do. Initial (z)	114.8	[illegible]	[illegible]	—
International Acc. (z)	199.6	[illegible]	[illegible]	—

Confederation Life Insurance Co.
50, Chancery Lane, WC2A 1HE. 01-242 0282

Life Funds

Managed Fund	477.8	502.9	.....	—
Equity Fund	531.1	566.0	.....	—
International Fund	182.6	192.2	.....	—
Fixed Interest Fund	151.0	169.4	.....	—
Property Fund	117.7	123.8	.....	—
Index Linked Fund	107.6	113.2	.....	—
Cash Deposit Fund	111.6	123.7	.....	—
PIP Fund	1,378.2		.....	—

Individual Pension Funds

Personal Pens Managed	277.5	292.1	.....	—
Staffguard Managd Pen	277.5	292.1	.....	—

Group Pension Funds

Group Mixed Pension	—	731.8	.....	—
Equity Pension	—	1108.1	.....	—
International Pension	—	241.6	.....	—
Fixed Interest Pension	—	611.4	.....	—
Property Pension	—	455.3	.....	—
Index Linked Pension	—	119.6	−1.6	—
Cash Deposit Pension	—	154.8	.....	—

Continental Life Insurance PLC
64/70 High St, Croydon CR0 9XN. 01-680 5225

Equity Acc.	228.0	240.1	−3.1	—
Property Acc.	189.1	198.1	−3.6	—
Int Acc.	171.9	181.0	+3.9	—
Managed Acc.	201.0	211.6	−0.9	—
Spec Sits Acc.	152.0	160.0	+0.5	—
Investment Tst Acc.	100.0	105.3	−1.5	—
Pen Int Acc.	177.5	186.1	+2.7	—
Pen Prop Acc.	230.1	242.3	−6.1	—
Pens Equity Acc.	319.0	335.8	−1.0	—
Pen Mngd Acc.	218.4	229.9	−0.5	—
Pens F & C Man Acc.	102.5	107.9	+0.6	—
Pens Inv. Trust Acc.	119.9	126.3	−1.0	—

Prices for other funds available on 01-377 8682.

Cornhill Insurance PLC
57 Ladymead, Guildford. 0483 68161

Equity Fd July 3	176.0	185.5	.....	—
Fixed Int. July 3	142.5	150.0	.....	—
Man Growth July 3	392.5	413.5	.....	—
Money Fd July 3	129.5	136.5	.....	—
Cap Fd May 15	304.5		.....	—
G.&S. Spec Fd May 15	129.5		.....	—
Far East Eqty July 3	113.0	119.0	.....	—

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Life Investments
19 St Andrew Square, Edinburgh. 031-225 2211

Property	105.3	110.9	+0.2	—
UK Equity	120.2	126.6	+1.0	—
American	134.9	142.1	...	—
Pacific	99.7	105.1	-0.3	—
European	120.1	126.5	-0.2	—
International	115.6	121.8	...	—
Fixed Interest	102.3	107.7	+0.4	—
Index Linked	100.9	106.3	...	—
Deposit	103.1	108.7	-0.1	—
Managed	111.9	117.9	+0.2	—
Pens. Property	109.3	115.1	...	—
Pens. UK Equity	125.1	131.8	+1.2	—
Pens. American	142.1	149.7	-0.1	—
Pens. Pacific	101.7	107.2	-0.3	—
Pens. European	124.8	131.4	-0.4	—
Pens International	120.5	126.9	-0.1	—
Pens. Fixed Int	105.6	111.3	-0.5	—
Pens. Index Linked	103.0	109.4	...	—
Pens. Deposit	108.8	114.7	+0.1	—
Pens. Managed	115.8	122.0	+0.3	—

Scottish Mutual Assurance Society
109 St Vincent St, Glasgow. 041-248 6321

Flex End June 18	617.2	625.3	...	—
Pen Mngd May 31	422.3	435.5	...	—

Scottish Mutual Investments
109 St Vincent St., Glasgow. 041-248 6321

Safety Fund	94.1	99.7	+0.5	—
Growth Fund	94.0	99.0	-0.3	—
Opportunity Fund	91.8	96.7	...	—
Cash Fund	95.7	100.8	...	—
European Fund	97.5	102.7	-0.4	—
Gilts & Fxd Int Fund	97.4	102.6	+0.3	—
Index-Linked Fund	95.6	100.7	...	—
International Fund	94.4	99.4	+0.2	—
North American Fund	93.1	98.1	-0.3	—
Pacific Fund	94.0	99.0	...	—
Property Fund	95.7	100.8	...	—
UK Equity Fund	90.9	95.7	+0.7	—
UK Smaller Cos. Fund	91.7	96.6	+0.5	—

Scottish Provident Institution
6 St Andrews Sq, Edinburgh. 031-556 9181

[illegible]

Sun Life Unit Assurance Ltd.
St James Barton, Bristol BS99 7SL. 0272 426911

Managed Acc.	315.6	332.3	+0.7	—
Property Acc.	196.8	207.2	...	—
Equity Acc.	432.3	455.1	+5.6	—
Fixed Interest Acc.	183.0	192.7	+0.9	—
Index-Linked Acc.	104.0	109.5	+0.1	—
Cash Acc.	166.7	175.5	+0.1	—
American Equity Acc.	179.2	188.7	-0.1	—
U.S. Bonds Acc.	108.2	113.9	-0.8	—
Japan Acc.	112.7	115.7	+0.3	—
Pacific Acc.	103.5	109.0	-1.2	—
Far Eastern Acc.	238.3	250.9	-0.5	—
International Acc.	227.0	239.0	-5.4	—
U.S. Dollar Acc.	101.6	107.0	-0.1	—
Yen Acc.	95.3	100.4	-0.1	—
European Currency Acc.	94.2	99.2	-0.1	—
Distribution	141.9	149.4	+0.7	10.10

Sun Life Pensions Management Ltd
(funds for individual pension contract)

Pens. Managed Acc.	314.0	330.6	+1.1	—
Pens. Property Acc.	160.4	168.9	...	—
Pens. Equity Acc.	393.7	414.5	+3.4	—
Pens. F. Interest Acc.	174.2	183.4	-0.9	—
Pens. Ind. Lnkd. Acc.	106.0	111.6	+0.1	—
Pens. Cash Acc.	169.1	178.1	...	—
Pens. Amer. Equity Acc.	147.6	155.4	-0.6	—
Pens. U.S. Bonds Acc.	122.1	128.6	-0.4	—
Pens. Japan Acc.	119.8	126.2	+2.2	—
Pens. Pacific Acc.	125.4	132.0	...	—
Pens. Far Eastern Acc.	357.9	376.8	-0.3	—
Pens. Internat. Acc.	298.4	314.3	-3.1	—
Pens. U.S. Dollar Acc.	106.6	112.3	-0.1	—
Pens. Yen Acc.	98.3	103.5	-0.1	—
Pens. Euro. Curr. Acc.	93.2	98.2	-0.2	—

Swiss Life Pensions Ltd
99-101 London Rd, Sevenoaks. 0732-450161

Equity	£171.42	176.72	...	—
Fixed Int.	£129.87	130.52	...	—
Index Linked	£109.06	109.60	...	—
Property	£137.28	141.52	...	—
Cash	£119.10	119.10	...	—
Mixed	£160.21	165.16	...	—
International	127.98	131.93	...	—

Next sub day July 3

TSB Life Ltd
PO Box 3, Keens Hse, Andover SP10 1PG 0264 62188

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$11.27	...	...	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$12.97	...	...	—

Inv. Adv.: M. & G. Inv. Mngt. Ltd. London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.15	...	+0.01	—
Dynamic Gwth Fd	$8.23	...	+0.03	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.2	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	12.31	9.50	14.14	6mth
7-day Fnd	12.34	9.32	13.43	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 3425				
Call Fnd	12.36	9.24	12.64	6-Mth
7-day Fund	12.36	9.24	12.64	6-Mth
Dollar	7.00	—	—	6-Mth
Money Mngt. Acct.	12.125	9.06	13.59	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484				
Full Service Chr Acc	12.25	8.75	13.09	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				

[illegible]

NOTES

[illegible]

OPTIONS

3-month call rates

[illegible]

WORLD STOCK MARKETS

Indices

NEW YORK

DOW JONES

	July 5	July 3	July 2	July 1	June 22	1985 High	1985 Low	Since Compil'n High	Since Compil'n Low
♦Industri'ls	1334.45	1325.39	1334.21	1337.14	1335.42	1337.14 (1/7)	1184.96 (4/1)	1337.14 (1/7/85)	41.22 (2/7/32)
H'me Bnds	80.09	79.82	79.60	72.41	72.43	80.24 (15/6)	72.27 (20/3)	—	—
Transport.	678.96	073.09	275.81	072.54	664.09	078.96 (18/7)	503.03 (4/1)	678.95 (8/7/85)	12.32 (8/7/32)
Utilities	166.29	105.26	153.52	165.37	164.85	160.85 (8/1/8)	140.54 (4/1)	186.80 (8/1/5/80)	12.0 (28/4/42)
Trading Vol 000's	62,432	98,410	111,070	06,260	105,240	—	—	—	—

♦Day's High 1340.61 (1337.69) Low 1324.23 (1320.23)

	June 28	June 21	June 14	year ago (approx)
Industrial div. yield %	4.59	4.8e	4.71	5.00

STANDARD AND POOR'S

	July 5	July 3	July 2	July 1	June 22	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
Indust'ls	219.27	211.12	211.84	212.47	211.92	212.47 (1/7)	186.24 (4/1)	216.47 (1/7/85)	3.62 (30/6/32)
Comp's'te	129.32	101.46	122.01	102.43	121.65	122.02 (1/7)	103.02 (4/1)	122.52 (5/7/85)	4.40 (1/6/32)

	June 26	June 12	June 12	year ago (approx)
Industrial div. yield	3.72	3.80	3.77	4.27
Industrial P/E ratio	11.90	11.55	11.54	10.73
Long Gov. Bond yield	10.57	12.02	10.31	13.55

N.Y.S.E. ALL COMMON

July 5	July 3	July 2	July 1	1985 High	1985 Low
111.67	111.88	111.28	111.45	111.57 (5/7)	94.60 (4/1)

Rises and Falls

	July 5	July 3	July 2
Issues Traded	1,253	1,984	2,007
Rises	1,112	774	822
Falls	382	752	748
Unchanged	471	471	437
New Highs	—	115	130
New Lows	—	10	13

TORONTO	July 5	July 4	July 3	July 2	1985 High	1985 Low
Metals & Minerals	1873.6	1874.6	1874.4	1885.6	2190.07 (18/2)	1873.0 (8/7)
Composite	2759.50	2727.8	2718.3	2723.6	2756.1 (5/6)	2348.3 (8/1)
MONTREAL Portfolio	155.87	155.09	132.86	130.85	130.56 (5/6)	117.00 (4/1)

	July 5	July 4	July 3	July 2	1985 High	1985 Low
AUSTRALIA						
All ord. (1/1/80)	882.4	874.7	869.9	860.7	894.5 (20/5)	715.3 (7/1)
Metals & Mnls. (1/1/80)	514.3	511.5	010.4	005.4	565.8 (20/8)	562.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	78.73	100.80	102.68	102.62	105.75 (17/6)	85.21 (24/1)
BELGIUM						
Brussels SE (1/1/80)	2347.76	2349.59	2333.91	8,821.77	8584.18 (5/6)	2090.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	202.13	200.89	200.88	(u)	202.18 (5/7)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	219.60	221.8	225.5	224.7	235.1 (31/5)	180.8 (2/1)
Ind Tendance (28/12/84)	124.10	126.8	127.2	127.8	133.4 (31/5)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	502.62	486.58	495.85	485.08	502.62 (5/7)	382.89 (8/1)
Commerzbank (1/12/53)	1486.2	1475.9	1492.4	1452.8	1486.2 (5/7)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1575.30	1574.67	1596.18	1591.55	1847.88 (17/5)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	543.05	542.08	536.26	534.93	545.05 (8/7)	228.58 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	12965.8	12969.3	12824.5	12,515.1	12988.6 (4/7)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1057.12	1056.59	1029.17	1,028.8	1037.18 (5/7)	916.83 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	221.8	219.9	218.1	217.1	221.8 (5/7)	185.8 (3/1)
ANP-CBS Indust (1970)	186.5	184.2	155.1	151.3	186.5 (5/7)	147.9 (5/1)
NORWAY						
Oslo SE (4/1/83)	325.11	324.01	324.52	325.78	345.91 (5/6)	288.16 (2/1)
SINGAPORE						
Straits Times (1966)	755.14	764.58	765.17	767.20	852.85 (7/5)	755.14 (5/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	968.7	867.9	948.6	1149.8 (15/4)	856.1 (11/2)
JSE Indust (28/9/78)	—	583.0	276.8	214.8	985.8 (5/7)	761.1 (7/5)
SPAIN						
Madrid SE (28/12/84)	108.45	105.65	106.67	108.28	117.41 (4/2)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1293.46	1307.85	1520.01	1,521.82	1498.65 (11/2)	1293.45 (5/7)
SWITZERLAND						
Swiss Bank Cpn. (31/12/58)	460.5	454.6	455.8	443.9	460.8 (5/7)	398.7 (3/1)
WORLD						
Capital Int'l. (1/1/70)	—	218.5	215.9	210.5	218.8 (5/7)	184.8 (4/1)

** Saturday June 29: Japan Nikkei-Dow 12,923.0. TSE 1,028.67.

Base values of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
John Controls	1,858,600	44	+ 3/4	Southern	758,100	22 5/8	—
Exxon	1,225,100	52 3/4	+ 1/8	Goodyear Tire	748,600	28	—
Allied Corp.	923,600	44	+1 1/8	ATT	619,600	24	+ 1/8
MCA	825,000	64 1/4	−3 3/4	Squibb	213,400	68 3/4	+1 1/8
CBS	828,600	116 7/8	−2 3/4	CSX Corpn.	569,700	27	+ 1/8

OVER-THE-COUNTER *Nasdaq national market, closing prices July 5*

Continued from Page 35

CANADA

TORONTO
Closing prices July 5

MONTREAL
Closing prices July 5

BELGIUM/LUXEMBOURG

FRANCE

GERMANY

NORWAY

ITALY

NETHERLANDS

AUSTRIA

DENMARK

AUSTRALIA

SWEDEN

SINGAPORE

SWITZERLAND

SOUTH AFRICA

HONG KONG

JAPAN

SPAIN

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Closing prices, July 5

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	18	AAR	.48	2.3	18	148	21¼	20½	20½	−½
17⅜	9⅝	AGS			14	237	16⅞	16⅜	16⅞	+⅝
16½	9⅝	AMCA				1	10¾	10¾	10¾	−⅛
21½	13¾	AMF	.50	2.7	56	1166	18⅝	18½	18½	
49⅞	24¼	AMR			11	2147	49⅝	40	49½	+⅜
22⅞	10⅝	AMR	pf2.18	0.7		3	22½	22½	22½	
25⅞	22⅞	ANR	pf 2.67	11.		1	23⅜	23⅜	23⅜	
14¼	7¾	APL				23	7¾	7¾	7¾	
81⅛	44⅜	ASA	2	4.1		308	49⅜	48⅞	48¼	+¾
27	12½	AVX	.32	2.3	11	165	13⅞	13	13¾	+½
28⅛	10	AZP	2.72	9.7	8	1035	28	27¾	28	+⅜
58⅜	36¾	AbtLab	1.40	2.4	17	2714	60	57¼	57¾	+3¾
25⅞	10⅝	AccoWd	.50	2.3	16	145	21⅝	21	21⅝	+⅝
24¾	12½	AcmeC	.48	2.5		86	18½	18⅛	18⅛	
10½	7⅜	AcmeE	.32b	4.1	10	1	7¾	7¾	7¾	−⅛
17¾	15	AdaEx	1.92e	11.		52	17¾	17½	17¾	+¼
20	11⅞	AdmMl	.32	1.8	7	25	17⅞	17½	17⅞	+½
19½	8⅝	AdvSys	.53t	4.6	18	201	11½	11⅜	11½	+⅛
41⅛	22⅛	AMD			11	981	26⅝	26¼	26¼	+¼
12¾	6⅞	Advest	.12	1.4		132	8½	8⅜	8½	
14⅝	9	Aerflex			13	40	14¼	14⅛	14¼	+⅛
47	27½	AetnLf	2.64	5.7	34	61035	46¼	45¾	46	+½
57⅜	52⅞	AetL	pf5.79e	11		9	55	55	55	
37⅜	17⅞	Ahmns	1.20	3.4	14	293	35¾	34⅞	35⅜	−⅛
3⅜	2½	Aileen				36	2⅝	2½	2⅝	−⅛
58¼	38⅝	AirPrd	1.20	2.2	12	242	54⅜	53½	54	+½
24⅜	13	AirbFrt	.60	3.0	11	38	19⅞	18½	19⅞	+¼
2	1	AlMoa	e			1005	1⅞	1⅝	1⅞	+⅛
33⅜	27¼	AlaP	pfA3.02	12.		8	32⅝	32⅛	32⅝	+¼
8⅛	6¼	AlaP	dpf.87	11.		23	7⅞	7¾	7⅞	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 35

NYSE COMPOSITE CLOSING PRICES

Continued from Page 34

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices July 5

OVER-THE-COUNTER

Nasdaq national market, closing prices, July 5

Continued on Page 33

CURRENCIES, MONEY and CAPITAL MARKET

FOREIGN EXCHANGES

Poor data make dollar suffer

BY COLIN MILLHAM

Apart from one or two minor economic statistics at the beginning of the week, the foreign exchanges had only the U.S. employment on Friday to feed on. June unemployment at 7.3 per cent was unchanged for the fifth successive month, but the rise of only 80,000 in non-farm employment, compared with 266,000 in May, was particularly disappointing, and is yet another figure suggesting the economy did not recover sharply in the second quarter.

U.S. factor orders in May rose 2.1 per cent, against a fall of 0.3 per cent in April, according to last week's figures, but these included a large amount of defence spending, while May durable goods orders were revised down to a 3.2 per cent rise from 4.1 per cent.

The dollar withstood the early depressing statistics, partly because some, including factory orders, looked good at first glance, but finished the week at the lower end of its recent range. The dollar has been locked into a range of DM 3.00 to DM 3.10 for nearly two months, but must now be in some danger of breaking out below this level.

Friday's close of DM 3.0060 was the lowest since mid-April, and the Bank of England's index of 143.1 was the worst for the dollar since last December. A level of DM 2.9750 is seen as a technical resistance point, but if the dollar moves significantly below this, a return to DM 3.00 could depend on the market being wrong about the economy and the probable reaction of the Federal Reserve.

The disappointing employment statistics have increased pressure for a cut in the Federal Reserve's discount rate. Clues about the present policy of the U.S. central bank will be looked for in the pattern of official intervention in the New York banking system, following this week's Federal Open Market Committee meeting. Federal funds were firm at 8½ per cent last Monday, without intervention, but the Fed surprised financial markets by adding permanent reserves, through system repurchase agreements on Tuesday, and also added liquidity on Friday.

STERLING INDEX

	July 5	Previous
8.30 am	81.7	81.3
9.00 am	81.6	81.3
10.00 am	81.6	81.5
11.00 am	81.6	81.6
Noon	81.7	81.7
1.00 pm	81.7	81.6
2.00 pm	82.0	81.6
3.00 pm	82.0	81.6
4.00 pm	82.0	81.6

£ IN NEW YORK

	July 5	Prev. close
£ Spot	$1.3340-1.3350	N/A
1 month	0.06-0.54 pm	N/A
3 months	1.60-1.47 pm	N/A
12 months	4.30-4.20 pm	N/A

Forward premiums and discounts apply to the U.S. dollar

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.3275	1.3221	1.3125	1.3011	1.2848
D-Mark	0.99	3.9651	3.9204	3.8839	3.7636
French Franc	12.1450	12.1209	12.0887	12.0676	12.0976
Swiss Franc	3.34	3.3186	3.2800	3.2334	3.1399
Japanese Yen	327.75	325.96	322.80	318.71	311.48

BANK OF ENGLAND TREASURY BILL TENDER

	July 5	June 28		July 5	June 28
Bills on offer	£100m	£100m	Top Accepted rate of discount	11.9027%	11.9720%
Total of applications	£459.325m	£461m	Average rate of discount	11.0246%	11.9652%
Total allocated	£100m	£100m	Average yield	12.29%	12.33%
Minimum accepted bid	£97.025	£07.015%	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	88%	84%			

POUND SPOT—FORWARD AGAINST POUND

July 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2130-1.3295	1.3270-1.3280	0.56-0.53c pm	4.93	1.53-1.48pm	4.63
Canada	1.7860-1.8050	1.8020-1.8040	0.51-0.42c pm	3.09	1.36-1.22pm	2.89
Nethlnd.	4.48¾-4.53	4.48¾-4.49¾	2¼-2⅛c pm	0.84	6½-6¼pm	0.98
Belgium	80.30-80.93	80.40-80.50	30-24c pm	4.03	80-71 pm	3.75
Denmark	14.31½-14.37¾	14.63¼-14.37¼	0½-2½ore pm	2.51	6¼-8pm	2.38
Ireland	1.2725-1.2790	1.2725-1.2735	0.30-0.14p pm	2.07	0.62-0.38pm	1.57
W. Ger.	3.98½-4.01	3.98½-3.98½	2½-2¼pf pm	7.33	7½-6¾pm	7.02
Portugal	227¼-233¼	227¼-230¼	230-560c dis	−20.88	575-1560dis	−18.63
Spain	228¼-229	228¼-229	15-75c dis	−2.36	110-160dis	−2.38
Italy	2541½-2556	2541½-2542½	par-4 lire dis	−0.94	6-11dis	−1.34
Norway	11.46¾-11.55	11.53½-11.54½	¼ore pm-½ dis	−0.45	½-1½dis	−0.35
France	12.14-12.22½	12.14-12.15	2½-2⅛c pm	2.35	6½-6¼pm	1.85
Sweden	11.48¼-11.56¾	11.52¾-11.53½	2½-4½ore dis	−3.97	10¼-11¼dis	−0.80
Japan	325½-328¼	327¼-328¼	1.85-1.75y pm	6.59	5.00-4.85pm	0.01
Austria	28.03-28.29	28.03-28.08	15-13gro pm	8.12	41½-37¼pm	5.67
Switz.	3.33½-3.36	3.33½-3.34½	2½-2c pm	7.63	6¼-5¾pm	7.10

Belgian rate is for convertible francs. Financial franc 81.20-81.30. Six-month forward dollar 2.67-2.62c pm, 12-month 4.35-4.20c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3130-1.3295	1.3270-1.3280	0.56-0.53c pm	4.93	1.53-1.48pm	4.63
Ireland†	1.0320-1.0445	1.0435-1.0445	0.30-0.20c pm	2.90	0.85-0.70pm	3.00
Canada	1.3565-1.3685	1.3565-1.3575	0.19-0.22c dis	−1.81	0.55-0.60dis	−1.69
Nethlnd.	3.3840-3.4288	3.3840-3.3850	0.28-0.23c pm	0.86	0.95-0.92pm	1.10
Belgium	60.55-61.10	60.55-60.65	4-5c dis	−0.88	12-14dis	−0.85
Denmark	10.77-10.89¾	10.78¾-10.79¼	1½-2¼ore dis	−2.20	4½-5¼dis	−1.84
W. Ger.	3.0020-3.0375	3.0055-3.0065	0.65-0.60pf pm	2.47	1.91-1.86pm	2.48
Portugal	173½-174¾	173½-174½	250-600c dis	−25.86	650-1400dis	−23.56
Spain	171-173¼	171-171¼	90-105c dis	−0.30	290-320dis	−7.04
Italy	1915-1937¾	1915-1910	9½-10 lire dis	−0.05	28½-29dis	−5.54
Norway	8.69-8.73	8.69¼-8.69¾	3½-4ore dis	−5.16	10½-10¾dis	−4.88
France	9.14½-9.24¾	9.14½-9.15¼	1.95-2.10c dis	−2.63	0.10-6.40dis	−2.71
Sweden	8.69-8.73½	8.69-8.69½	0½-6¼ore dis	−2.11	18½-18¾dis	−8.54
Japan	246.85-247.90	246.85-247.90	0.31-0.33y pm	1.69	0.8970.94pm	1.56
Austria	21.10½-21.33¼	21.13-21.10	2½-2gro pm	1.35	8-5½pm	1.27
Switz.	2.5170-2.6485	2.5180-2.5190	0.60-0.54c pm	2.69	1.68-1.62pm	2.60

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 61.15-61.25.

OTHER CURRENCIES

July 5	£	$		£ Note Rates
Argentina Austral	1.0612-1.0620	0.8000-0.8010	Austria	27.80-28.20
Australia Dollar	1.0070-1.0710	1.4825-1.4840	Belgium	80.00-81.30
Brazil Cruzeiro	8,030-8,065	6,060-6,020	Denmark	14.26-14.40
Finland Markka	8.2075-8.3005	6.6640-6.2020	France	12.10-12.26
Greek Drachma	170.53-179.90	153.64-150.05	Germany	5.07-4.00
Hong Kong Dollar	10.3000-10.3125	7.7650-7.7080	Italy	2530-2605
Iran Rial	119.90*	90.20*	Japan	320-330
Kuwait Dinar (KD)	0.4020-0.4030	0.30345-0.30385	Netherlands	4.48-4.52
Luxembourg Fr.	80.40-80.50	60.55-60.65	Norway	11.43-11.54
Malaysia Dollar	5.2000-3.3040	2.4870-2.4000	Portugal	201-255
New Zealand Dlr.	0.8125-2.8205	2.1186-2.1030	Spain	221-230
Saudi Arab Riyal	4.8335-4.8480	3.0015-5.6520	Sweden	11.45-11.64
Singapore Dollar	2.8570-2.0020	2.2200-2.0325	Switzerland	3.33-3.30
Sth African Rand	2.0145-2.0250	1.9675-1.9715	United States	1.31-1.33
U.A.E. Dirham	4.8650-4.8760	5.0720-5.0730	Yugoslavia	505-395

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	44.9008	45.3714	+1.05	+1.37	±1.5471
Danish krone	8.14104	8.08083	−0.74	−0.42	±1.6410
German D-mark	2.24184	2.25224	+0.46	+0.78	±1.1475
French franc	6.87456	6.85655	−0.26	+0.06	±1.3668
Dutch guilder	2.52595	2.53762	+0.46	+0.78	±1.5171
Irish punt	0.72569	0.718292	−1.02	−0.70	±1.6673
Italian lira	1403.49	1435.44	+2.28	+2.28	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

CURRENCY MOVEMENTS

July 5	Bank of England Index	Morgan Guaranty Change %
Sterling	82.0	−7.5
U.S. dollar	143.1	+06.7
Canadian dollar	08.0	−6.4
Austrian schilling	112.7	+0.7
Belgian franc	89.4	−11.0
Danish Kroner	71.7	−0.4
Deutsche mark	122.3	+0.8
Swiss franc	141.0	+8.2
Guilder	112.9	+5.2
French franc	65.5	−15.5
Lira	40.5	−17.8
Yen	155.6	+12.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 5	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.760792	0.063770
U.S. $	7½	1.00296	0.742011
Canadian $	8.56	*	1.00890
Austria Sch.	4½	21.3630	15.8250
Belgian Fr.	9½	61.2608	45.5714
Danish Kr.	7	10.9172	8.08083
D'mark	4½	3.03947	2.25224
Guilder	5½	5.49011	2.03782
French Fr.	9½	9.06985	6.85065
Lira	15½	1940.03	1435.44
Yen	5	248.584	183.772
Norway Kr.	8	8.75283	6.47468
Span'h Pta.	—	175.913	128.737
Swedish K.	1.0	8.75634	6.47468
Swiss Fr.	4	3.54670	1.88642
Greek Dr'ch	20½	135.820	100.230
Irish Punt	13¾	0.870920	0.712293

* CS/SDR rate for July 4: N/a.

EXCHANGE CROSS RATES

July 5	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.326	3.990	327.8	12.10	3.340	4.483	2549.	1.803	80.45
U.S. Dollar	0.753	1.	3.006	247.0	9.150	2.510	3.385	1910.	1.358	60.00
Deutschemark	0.251	0.330	1.	82.14	3.044	0.837	1.126	637.1	0.452	20.16
Japanese Yen 1,000	3.051	4.050	12.17	1000.	37.06	10.15	13.71	7750.	55.01	245.5
French Franc 10	0.823	1.095	3.286	270.2	10.	2.750	3.690	2093.	1.485	66.24
Swiss Franc	0.299	0.397	1.195	98.13	3.036	1.	1.345	761.1	0.540	24.09
Dutch Guilder	0.223	0.295	0.888	72.96	2.703	0.743	1.	565.8	0.401	17.91
Italian Lira 1000	0.393	0.522	1.570	128.2	4.778	1.314	1.767	1000.	0.709	31.60
Canadian Dollar	0.555	0.736	2.215	181.8	6.736	1.852	2.492	1410	1.	44.02
Belgian Franc 100	1.243	1.660	4.960	407.4	15.10	4.100	5.564	318.	2.241	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 5	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12¾-12⅞	8⅛-8¼	8⅞-9	6⅛-7	0¼-2½	5-5⅛	10⅛-10⅝	13-14	8½-8¾	8½-8¾	6⅛-6⅜	2¾-10¼
7 days' notice	12¾-12⅞	7⅝-7⅞	8-9¼	6¾-7⅛	2¼-2½	5¼-5⅜	10⅛-10⅝	13-14	8⅝-8⅞	8⅝-8⅞	6⅛-6¼	10-10½
Month	12 9/16-13	7⅝-7¾	9⅛-9½	6⅝-6¾	5-5⅛	5¼-5⅜	10⅝-10⅞	15⅜-13⅞	8⅝-8⅞	8⅝-8⅞	6⅛-6¼	9⅜-9⅞
Three months	12⅝-13⅛	7⅞-7⅞	9⅛-9½	6⅝-6⅞	5⅛-5¼	5¼-5⅜	10⅝-10⅞	13⅝-14⅛	8⅝-8⅞	8⅝-8⅞	6⅛-6⅜	9⅛-10
Six months	12⅛-12¼	7¾-7⅞	9¼-9⅞	6⅝-6⅞	5¼-5⅜	5⅜-5½	10⅞-10⅞	15⅞-14¼	8¾-9	8¾-9	6¼-6⅜	9½-10
One year	11⅞-12	8⅛-8⅛	9⅞-10⅛	6½-6⅞	5⅜-5⅝	5⅝-5⅞	11⅛-11⅜	14⅛-14⅝	9⅛-9⅜	9⅛-9⅜	6⅛-6⅜	9½-10

Asian $ (closing rates in Singapore): Short-term 8-8¼ per cent; seven day 7 13/16-7 15/16 per cent; one month 7 13/16-7 15/16 per cent; three months 7¾-7⅞ per cent; six months 7⅞-8 per cent; one year 8¼-8⅜ per cent. Long-term Eurodollars: two years 9¼-9½ per cent; three years 9¾-9⅞ per cent; four years 10-10¼ per cent; five years 10¼-10½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	92.35	92.36	91.98	92.06
Dec	91.93	91.94	91.57	91.62
March	91.50	91.49	91.17	91.21
June	91.13	91.12	90.85	90.86
Sept	90.84	—	—	90.57

Estimated volume 4,627 (672)
Previous day's open int 18,587 (12,521)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Sept	88.26	88.27	88.15	88.12
Dec	88.93	88.88	88.73	88.69
March	88.95	98.93	88.85	88.81
June	89.01	—	—	88.95
Sept	98.12	—	—	98.06

Estimated volume 1,143 (224)
Previous day's open int 5,849 (5,015)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	110-27	110-29	110-14	110-14
Dec	111-07	—	—	110-26
March	111-15	—	—	111-02

Estimated volume 1,809 (269)
Previous day's open int. 3,276 (3,308)
Basis quote (clean cash price of 10% Treasury 2003 less equivalent price of near futures contract) −25 to −15 (32nds).

STERLING £25,000 $s per £

	Close	High	Low	Prev
Sept	1.3160	1.3190	1.3060	1.3045
Dec	1.3020	1.3013	1.2940	1.2920
March	1.2930	—	—	1.2825

Estimated volume 124 (8)
Previous day's open int 4,784 (4,786)

DEUTSCHE MARKS

	Close	High	Low	Prev
Sept	0.3333	0.3332	0.3311	0.3334
Dec	0.3353	0.3353	0.3335	0.3334

Estimated volume 422 (4)
Previous day's open int 249 (251)

SWISS FRANCS
SwFr 125,000 $s per SwFr

	Close	High	Low	Prev
Sept	0.3965	—	—	0.3951

Estimated volume nil (nil)
Previous day's open int 182 (182)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4059	—	—	0.4049

Estimated volume nil (2)
Previous day's open int 165 (165)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	126.85	127.00	126.10	125.80
Dec	127.25	—	—	126.40

Estimated volume 314 (145)
Previous day's open int 1,517 (1,526)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	78-29	78-29	77-10	77-11
Dec	77-27	77-15	76-12	76-10
March	76-27	—	—	75-10

Estimated volume 4,047 (220)
Previous day's open int 2,558 (2,406)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	79-00	79-04	75-14	77-08
Dec	77-29	78-03	77-10	76-08
March	76-28	77-01	76-12	75-06
June	75-29	76-00	75-10	74-07
Sept	74-31	75-01	74-15	73-10
Dec	74-03	74-06	73-20	72-15
March	73-08	73-11	73-02	71-21
June	72-15	72-17	72-12	70-29
Sept	—	—	—	—
Dec	71-03	—	—	69-10
March	70-15	—	—	69-00

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev
Sept	93.32	93.33	92.87	92.84
Dec	93.02	93.07	92.63	92.91
March	92.68	92.66	92.40	92.27
June	92.36	92.41	92.18	91.96
Sept	92.08	92.08	91.92	91.70
Dec	91.85	91.78	91.75	91.47
March	91.66	91.56	—	91.27
June	91.45	91.30	—	91.07

CERT. DEPOSIT (IMM)
$1m points of 100%

	Close	High	Low	Prev
Sept	92.75	92.78	92.45	92.36
Dec	92.35	92.37	92.20	91.92
March	91.84	91.82	—	91.50
June	91.49	91.46	—	91.13

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev
Sept	92.39	92.41	92.07	92.04
Dec	91.99	92.00	91.76	91.60
March	91.55	91.56	91.34	91.10
June	91.17	91.16	90.99	90.82
Sept	90.84	90.83	90.74	90.51
Dec	90.53	90.52	90.48	90.22
March	90.24	90.23	90.20	89.95
June	89.98	89.97	89.94	89.70

STERLING (IMM) $s per £

	Close	High	Low	Prev
Sept	1.3235	1.3245	1.3045	1.3030
Dec	1.3110	1.3135	1.2920	1.2910
March	1.3030	1.3040	1.2900	1.2830
June	1.2975	1.3100	1.2930	1.2780

GNMA (CBT) 8% $100,000
32nds of 100%

	Close	High	Low	Prev
Sept	77-24	77-24	76-25	75-28
Dec	76-28	76-28	76-00	74-30
March	—	—	—	—
June	75-25	—	—	73-28
Sept	75-13	—	—	73-10

WEEKLY CHANGE IN WORLD INTEREST RATES

	July 5	change
LONDON		
Base rates	12½	Unch'd
7 day Interbank	15	+1/16
3mth Interbank	12 7/16	−1/16
Treasury Bill Tender	11.9046	−0.0418
Band 1 Bills	10⅜	Unch'd
Band 2 Bills	12¼	Unch'd
Band 3 Bills	12⅛	Unch'd
Band 4 Bills	12	Unch'd
3 Mth. Treasury Bills	12	Unch'd
1 Mth. Bank Bills	12 3/16	Unch'd
3 Mth. Bank Bills	12	Unch'd
TOKYO		
One month Bills	6.10625	−0.125
Three month Bills	6.28125	Unch'd
BRUSSELS		
One month	8 13/16	−1/16
Three month	8 11/16	+1/16
AMSTERDAM		
One month	6 11/16	Unch'd
Three month	6 9/16	−⅛
NEW YORK		
Prime rates	9½	Unch'd
Federal funds	7 11/16	+1/16
3 Mth. Treasury Bills	6.80	−0.05
6 Mth. Treasury Bills	6.81	−0.10
3 Mth. C D	7.47	−0.10
FRANKFURT		
Lombard	6.0	Unch'd
One Mth. Interbank	5.525	+0.05
Three month	5.475	−0.15
PARIS		
Intervention Rate	10⅛	Unch'd
One Mth. Interbank	10 3/16	−1/16
Three month	10¼	−1/16
MILAN		
One month	14 3/16	−⅛
Three month	14 7/16	−1/16
DUBLIN		
One month	11⅞	Unch'd
Three month	11⅞	Unch'd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY MARKETS

A gentle rap from the Bank

The Bank of England gave a gentle rap on the knuckles to the London money market last week, as bills became somewhat difficult for the authorities to find, to service the day-to-day shortages in the market.

An early round of assistance was not offered on Friday morning, despite a very large shortage, at first estimated at £950m. This followed a period when some equally large shortages had resulted in the Bank of England being offered a very small number of bills at the first attempt, and was probably meant to concentrate minds on the need to sell the paper later in the day.

At the same time there does appear to be an underlying shortage of bills in the market, and this was illustrated on Thursday when the Bank of England bought only £220m under the terms of a repurchase agreement, despite offering an attractive package, returning the bills to the market tomorrow.

This resulted in insufficient help being given on the day, with the banks running forward run down balances of £115m. Although a lack of bills in the market was at least partly responsible for last week's problems, it has also been suggested that one of the clearing banks is sitting on a large amount of eligible paper and is not prepared to sell it until tomorrow's money supply figures are known.

This may suggest that at least one clearer thinks the data could be good enough to allow another cut in bank base rates. But there are many others in the market who feel that recent comments from the Chancellor of the Exchequer, and the Bank of England, make any reduction unlikely at the moment, even if money supply and bank lending are at the lower end of expectations.

Apart from the money supply there was another reason to take a cautious view last week. Ministers from the Organisation of Petroleum Exporting Countries met in Vienna at the weekend, in considerable disarray, amid speculation about lower Opec oil prices.

UK clearing banks base lending rate 12½ per cent since June 12

MONEY RATES

July 5	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.05-5.55	10 1/16	2⅝-2⅞	6¾-7⅛	6.15625	14⅝-15	6.85	—
One month	5.4-5.05	10 1/16-10¼	6 1/16-5 5/16	6⅝-6⅞	6.81275	14⅛-14⅝	8 11/16-8¾	—
Two months	5.4-5.65	10⅛-10¼	—	—	—	—	—	—
Three months	5.4-5.55	10 1/16-10 3/16	5⅛-5¼	6⅝-6¾	6.28120	14⅛-14⅝	8¾-8⅞	—
Six months	5.45-5.60	10 3/16-10 5/16	—	6⅝-6⅞	—	—	8¾-9	—
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	6⅝	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

July 5 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	10-13¼	12¾-13	12½-13⅛	10-12¾	—	—	—	—	—
2 days notice	—	—	12¾-15	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅞-13⅛	12¾	13-13⅛	12⅝	—	—	—	—	—
One month	12¾-12⅝	12⅝-12 9/16	12⅝	12⅞	12½	12 3/16	12¼	12 3/16	12¼-12 3/16	12 13/16
Two months	12 9/16-12⅛	12½-12¾	12½	12⅞	12¼	12⅛	12 3/16	12⅛	12 3/16	12¾
Three months	12⅛-12 7/16	12⅝-12 9/16	12⅜	12¾	12⅛	12	11 13/16	12	11 15/16	12⅝
Six months	12-11⅞	12⅛-12⅜	12⅛	—	—	—	—	11 15/16	11⅞	12 7/16
Nine months	11 13/16-11 15/16	12-12 1/16	—	—	—	—	—	—	—	—
One year	11 11/16-11 15/16	11 13/16-12⅛	11⅞	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	13½-15	—	10 7/16	7.55-7.05	7 7/16-7 11/16	8 9/16-9 1/16
Two months	15-12¾	—	12½	7.65-7.55	7¾-8	9¼-9⅜
Three months	12¾-12⅛	—	12 3/16	7.50-7.60	7 13/16-8 1/16	9¼-9⅜
Six months	12½-10⅝	—	12¼	7.75-7.85	7 15/16-8 1/16	9⅛-9⅜
Nine months	12⅝-12⅛	—	12⅛	7.00-8.05	—	—
One year	12⅛-11⅞	—	12 1/16	8.1-8.2	8⅛-8⅜	9 7/16-9 11/16
Two years	—	11½	—	—	—	—
Three years	—	11⅝	—	—	—	—
Four years	—	11⅝	—	—	—	—
Five years	—	11⅝	—	—	—	—

ECGD Fixed Rate Finance IV: Average Rate of Interest period June 5 to July 2 (inclusive): 12.535 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from July 1, 1985. London and Scottish Clearing Bank Rates for lending 12½ per cent. Bank Deposit Rates for sums at seven days' notice 8.68-8.75 per cent (net). Treasury Bills: Average tender rate of discount 11.9246 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 12½ per cent; one-three months 12½ per cent; three-six months 12¼ per cent; six-nine months 12 per cent; nine-12 months 12 per cent. Under £10,000 11½ per cent from June 21. Deposits held under Series 5 12 per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 5)

3 months U.S. dollars	
bid 7¾	offer 7⅞

6 months U.S. dollars	
bid 7 15/16	offer 8 1/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4 pm)

Prime rate	9½
Broker loan rate	8¾
Fed funds	8
Fed funds at intervention	7 13/16

Treasury Bills

One month	6.72
Two month	6.77
Three month	6.76
Six month	6.78
One year	6.91

Treasury Bonds

Two year	100¼
Three year	103⅛
Four year	101 17/32
Five year	102 5/32
Seven year	103⅛
10 year	108⅛
30 year	108 9/32

FINANCIAL TIMES SURVEY

Trinidad and Tobago

A new realism pervades these Caribbean islands as a petroleum based economy adjusts to declining oil revenues. The task is to broaden the industrial base

The carnival is over

By Fiona Thompson

EL DORADO remains as elusive today in Trinidad and Tobago as when the Conquistadors were first drawn to the land to pursue that vision of riches. The island republic, early in its independent life, found itself sitting on a gold mine (in this case, based on petroleum) but has since seen its easy wealth slipping away.

The decline in oil revenue, which permitted a spectacular rise in living standards before prices and production slumped, has forced the country to accept a new realism. The adjustment process, including a sharp curb on imports and tighter currency restrictions, is still going on—and may yet cause more pain.

At government level it has already been accepted that the fragile structure of the country's petroleum-dominated economy must be broadened and strengthened.

It is now policy to provide greater encouragement for local enterprise, new industry and outside participation and investment which has required a shift in the guiding principles of this small, but understandably proud country.

Equally crucial is a change in the attitudes of the people of the racially diverse but politically stable democracy. A government report says: "Among many people in this country, there exists an underlying persuasive feeling that 'something will turn up'."

"It is tho only place in the Caribbean and probably in the whole world, where irresponsibility is romanticised," Mr Stevenson Sarjeant, Mayor of Port of Spain, said last month.

The capital city, he said, is a reflection of the country. "Its narrow European-like streets, the mixture of Spanish, French and British architecture, the ethnic mixtures of its hustling throngs, its lively commercial activities, the congestion in its streets and ports, the high incidence of crime, the presence of destitution among wealth and splendour, its individualism tell the story of a unique city, in a state of what seems like perpetual change."

The country, richest of the Caribbean nations has a dollar-based economy and is influenced more by its major trading partner, the U.S., than by its nearest neighbour, Venezuela. The Trinidad and Tobago dollar has been pegged to the U.S. dollar at a rate of TT$2.4 since 1976. Whether that rate can be maintained is open to question.

It is with the key issues of investment and foreign exchange earnings in mind that Mr George Chambers, Prime Minister, arrives in London today at the start of a month long six-nation tour. Mr Chambers, who has not exactly claimed the limelight at home, is now seeking export markets, and agreements to enhance exploitation of the country'a still considerable resources of oil and natural gas.

Trinidad is still reeling from the oil trauma. During the boom years growth was running at up to 8 per cent in real terms, and the economy seriously overheated.

Between 1977 and 1982 average weekly earnings increased by 20 per cent a year, and the people took off on a spending spree. According to a government task force which reviewed the aftermath "there was "conspicuous" spending on imported household electronic gadgets, high quality liquor and foreign travel.

The end of the high life was signalled by the oil price cuts of 1981 and 1982. It is now seen that traditional industries, like agriculture, were damaged during the boom, when wage deals ceased to relate to productivity and local patterns of investments, became distorted.

Falling revenues

The April 1983 price fall amounted to 22 per cent and the country started to find its foreign exchange draining away. At the end of 1982, foreign reserves totalled TT$7.6bn. The figures plunged to TT$2.8bn at the end of 1984, and the first three months of this year have seen a further fall of TT$747m.

Earnings from oil fell from TT$4.2bn in 1981 to TT$2.6bn last year.

Trinidad, not a member of the Organisation of Petroleum Exporting Countries, depends on the maintenance of its price cartel. A banking expert has estimated that a U.S.$5 price drop would cost the country TT$720m in lost revenue.

Gross domestic product last year showed a decline of 7.4 per cent and the balance of payments deficit totalled TT$1.7bn. At the same time, unemployment has risen—official figures range between 12.8 and 14 per cent—and after the years of freewheeling, the Government is imposing a measure of wage restraint. The carnival is over for Trinidad and Tobago.

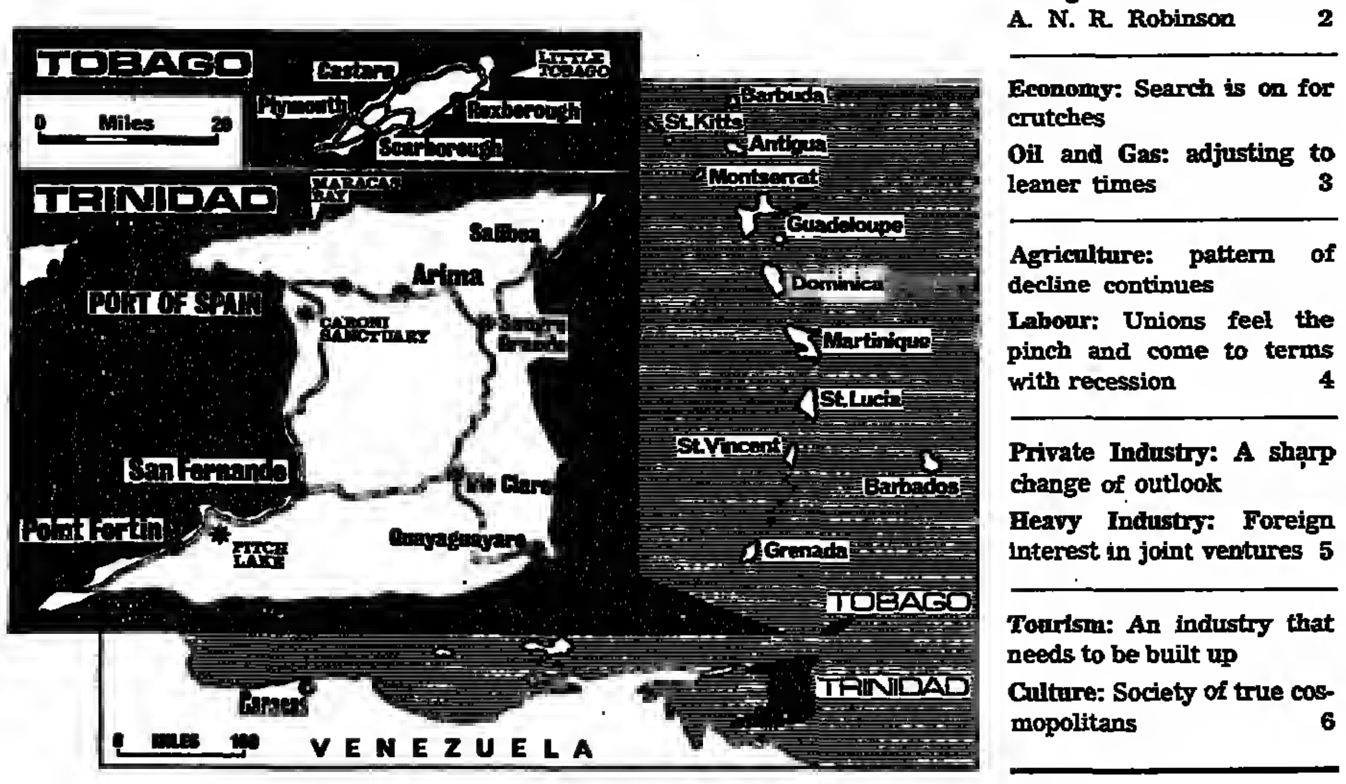
The Central Bank says that the economy has contracted, reducing inflationary pressures and bringing imports, prices, wages and tho rate of credit expansion to more realistic levels.

On the bright side, there was a TT$476.2m merchandise trade surplus last year, after a 1983 deficit of TT$729.8m. In the first three months of this year consumer prices rose by only 2.6 per cent, the lowest first quarterly figure since 1978.

During the British leg of his tour, Mr Chambers will seal an agreement on a joint venture with ICI to create a methanol plant at Point Fortin in South West Trinidad. A similar plant already established at the nearby Point Lisas industrial complex has been one of the success stories of the recent past, showing a profit of TT$10m after its first year of commercial production. Petrochemicals are seen as a focal point of growth for the future.

The new project will be a three way partnership between the Government; ICI; and the IFC, a World Bank affiliate, coupled with the Commonwealth Development Corporation.

Mr Alan Twist, ICI's methanol venture manager said: "Trinidad has an abundance of natural gas, a stable government, and a very democratic and pleasant population. It is a member of the Commonwealth, English is the national language and it has a very high calibre of indigenous people."



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The three-way arrangement points to the future shape of joint ventures in the energy sector. In his January budget, Mr Chambers, who is also Finance Minister, gave a strong hint that the Government would not necessarily insist—as in the past—on a majority holding in such projects.

It is a shift with emotional as well as economic, significance for the people of Trinidad and Tobago—they are having to depart from policy propounded by their first Prime Minister, the late Dr Eric Williams, who insisted that the country'a people should have sole claim on its natural assets.

This charismatic intellectual, a bewildering enigmatic and latterly solitary man, was the founding father of modern Trinidad who led his people from British Colonial rule, to independence in 1962 and beyond.

A visionary, Dr Williams had little time for the traditional industries, like sugar, which he saw as symbols of colonial servitude. This land, Dr Williams said at the opening ceremony for the 2,000-acre Point Lisas industrial estate, "where sugar cane was once cultivated, will now produce iron and steel."

Strong challenge

Dr Williams was, frankly, a difficult man. He was capable of freezing out his own Cabinet Ministers refusing to see them for months on end, he also asked them to sign undated letters of resignation to be held for possible future use. One unfortunate U.S. Ambassador, was denied an audience throughout his entire residency.

Paradoxically, though Dr Williams refused for years to attend Caricom heads of government meetings, he saw to it that Trinidad met its obligations to its Caribbean neighbours, under the Treaty of Chaguaramas.

Dr Williams'a sway is still felt today, four years after his death in office. His party, the People's National Movement, has held power since independence—which means that a quarter of the population has lived since birth under PNM rule.

Mr Chambers faces a strong challenge at the general election, which must take place by February 1987, from a new opposition coalition, the National Alliance for Reconstruction, which believes it provides a credible alternative, and has the backing to achieve success.

The alliance is led by Mr A. N. R. Robinson, a former PNM cabinet minister, whose popular appeal recalls that of Dr Williams, in contrast to the self-effacing style of Mr Chambers. However, the underlying conservatism of the electorate could well ensure that the PNM pulls through again.

In any event, austerity measures cannot be delayed, Mr Frank Barsotti, Permanent Secretary at the Finance Ministry said: "The country was spoiled by a sudden injection of money which created a kind of euphoria. The Government after the first oil shock found itself on a wave of affluence and embarked on a number of very large capital-intensive projects. They lost sight of the fact that if anything went wrong with the revenue stream there would be problems."

The Government needed to take draconian measures. "Since 1982, it has been giving medicine, but not a heavy enough dose," he said.

Trinidad and Tobago 2

Challenge to the ruling party

Politics

CANUTE JAMES

TO TRINIDADIANS under 30—that is the majority of the population—there has been only one ferm of politics, that of the People's National Movement. And for all Trinidadians, the PNM has meant Dr Eric Williams, the former prime minister, and the party's founder and leader until his death in 1981.

Despite having almost three decades of uninterrupted rule by the same party, Trinidad and Tobago is a vibrant multi-party democracy. All efforts by several of these other parties, many of whieb have withered and died over the years, to replace the PNM bave been unsuccessful.

Now, however, there appears a new and more real threat to the PNM's continued hagemony of Trinidad and Tobago's political life. It is in the form of the National Alliance for Reconstruction (NAR), a coalition of three parties, headed by Mr A. N. R. Robinson, a former PNM Cabinet minister.

Publie opinion polls by political analyst Dr Selwyn Ryan, the results of which were published in May, suggest that the NAR commanded 59 per cent of the electorate's support, and would, in a general election, humiliate the PNM, which got 17 per cent support.

"This is the worst showing which the PNM has made since the polls were instituted some ten years ago," said Dr Ryan.

The NAR has already established its credentials as an alternative to the PNM. The opposition parties swept all the county councils, previously controlled by the PNM, in the last local government elections.

The next general election is constitutionally due by early 1987. With the waning political fortunes of the PNM, Mr George Chambers, the Prime Minister, is unlikely to call for a vote much earlier than this.

There is little mystery to the long rule of the PNM. It can be expalined by the poiltical and intellectual weight of Dr Williams.

"Up to 1969 and 1970, the PNM was regarded as having a leader of considerable stature," says Dr Ryan. "It had a programme which was difficult for any other party to displace. It was dynamic, and strong in its organisation."

Dr Ryan says the steam ran out of the PNM by 1971, but the party retained office because of fears of the impact of leftist groups.

The PNM's continuation in office and its winning elections in 1976 and 1981 was the result of the failure of opposition groups to present a coherent alternative.

"If opposition parties can present a credible alternative to the PNM, then there will be a change of government," predicted Dr Ryan. One PNM view credited the PNM's success over the past 29 years to the fact that the party is highly organised.

"When any group challenges the PNM in a general election," he said, "it is challenging an organisation which is starting out with the support, through membership and affiliated groups, of about 30 per cent of the electorate.

"The PNM does not contest an election. It attempts to increase the number of voters already supporting it."

The NAR coalition is therefore likely to be watched over the next few months to determine whether it has found the right adhesive which could make it successfully challenge the ruling party.

Mr Robinson is not unaware of the potential problem. "There is always the possibility of fragmentation after the election," be admits. "But recognition of the need for unity is deep within tha party. The tendency is towards co-operation rather than to fragmentation."

In a society when personality is important in politics, the articulate, confident Mr Robinson starts with an advantage over tha withdrawn Mr Chambers.

The PNM is no longer Dr Williams' party—it now has to stand or fall on the basis of its ability to continue to fight off the opposition.

But politics in Trinidad and Tobago is compounded by race.

Dr Williams ensured he had in high and visible office several representatives of the Indian community in what was, in essence, a black party.

Mr Robinson complains that already race is being made an issue in the formation of the NAR. "It is already being said that the NAR represents an Indian takeover. In the NAR the East Indian is being more effectively represented, than in the PNM."

Trinidad and Tobago is, by nature, a society of conservative tendencies. Despite the polls, which indicate strong support for the NAR, a PNM official says there is always the possibility that, faced with a ballot paper, Trinidadians may opt for the rulers they have experienced.

Mr Robinson does not share this view. "In the next election we will have an excellent chance of taking office," the NAR leader says.

"The general political and economie climate indicates this. The consensus is that the time has come for a change.

"There is a downturn in the economy. There is growing unemployment. Businesses are closing and incomes have either stabilised or are declining."

The support for the NAR appears based on disaffection with the PNM's policies. The coalition has yet to present a coherent package of alternative policies. This is being formulated, Mr Robinson says and will concentrate on economic reform.

A change of government to one formed by the NAR is hardly likely to bring about any perceptible alteration in Trinidad and Tobago's ideological direction. Both parties are centrist and conservative in nature.

The issues in an election are likely to be economic, and more to do with style and changes of emphasis. The PNM representative said the party had to show the electorate its record in the construction of highways, houses, industrial plants ". . . and other indications of the progress which the country has made under this Government."

"We would be turning our attention to the areas which the Government has neglected," says Mr Robinson. "We will be looking seriously at the development of tourism and agriculture."

There is also a community of views on the country's foreign relations. Trinidad and Tobago's decision not to support tha United State's invasion of Grenada in 1983 has not affected its relations with Washington. The US remains the country's largest trading partner.

More substantial changes divide the parties on the touchy subject of Trinidad and Tobago'a relations with its partners in the Caribbean Economie Community (Caricom). Dr Williams's nationalism led other Caribbean peoples to view Trinidadians mistakenly as being overly chauvinistic. It is a sentiment which has affected the way tha country's actions are viewed by its neighbours.

"Trinidad and Tobago is 100 per cent committed to Caricom," says Mr Wendell Mottley, the industry and commerce minister. "There are defects which we believe should be corrected, and there is a lack of reciprocity in the community. But there should be no doubt about this country'a commitment."

The NAR, according to Mr Robinson, would pay more attention to Caricom. "The community is not to be abandoned by Trinidad and Tobago. We must start with improving relations with our naighbours."

In terms of global foreign policy, relations with the Caribbean community appear not so significant. But it is an issue which could be the touchstone of wider foreign policy. A government's handling of the matter cannot be careless.

Dr Eric Williams was one of the architects of the economic community. Now sections of the business community want the Government to pull out. "Caricom is an emotional issue to the people of this country," says Mr Mottley.

PROFILE: GEORGE CHAMBERS, PRIME MINISTER

Wealth of experience

IN CARIBBEAN politics, where much is made of charisma and bombast, Mr George Chambers, the Prime Minister of Trinidad and Tobago, is an anomaly. That he is a typical Caribbean politician is emphasised by the fact that he inherited the prime ministership from a leader who, by any standard, is a very hard political act to follow.

The sudden death of Dr Eric Williams in 1981, after 25 years at the helm of Trinidad and Tobago, left the ruling People's National Movement with a dilemma. There were many candidates to take over the leadership. Mr Chambers was among the least likely. What he had going for him, according to a party official, was that he was also the least likely to provoke the disfavour of any of the factions of the ruling party. He was in essence the compromise man.

In stark contrast to the man he succeeded, Mr Chambers is quiet and unassuming to the point of being self-effacing. He is, again, a typically Caribbean politician, publicly shy. He rarely holds press conferences or entertains the press for interviews.

All this only serves to mask a wealth of experience in the politics region, Mr Chambers is self-educated, having done a correspondence course in "general education" with a British institution.

This was followed by stints in offices of local solicitors and with an oil company's legal department. Official literature includes among his hobbies "reading, record playing and sea bathing." Mr Chambers entered politics in 1966 on a PNM ticket and has been a member of parliament ever since.

Aged 54, and the political leader of what is the richest country in the Commonwealth Caribbean, there are few corridors in the administration which are strange to Mr Chambers.

In the decade and a half before he became prime minister, he held portfolios in the finance, public utilities, housing, national security, education industry and commerce, and agriculture ministries.

The circumstances under which he took office, and his disposition, have hidden what is now accepted in Trinidadian politics as a fiercely independent spirit. That explains the surprise of many when Mr Chambers refused to join some of his Caribbean colleagues in supporting the U.S. military invasion of neighbouring Grenada in October, 1983.

...Although he lacks what other Caribbean leaders consider essential ingredients in the make-up of an ideal politician, they do not hide their respect for Mr Chambers. Particularly in regional affairs where Trinidad and Tobago's financial clout is important.

Officials of the PNM dismiss persistent reports that there is a move afoot to remove Mr Chambers, and replace him with someone considered better able to revive the party's waning popularity, the question of who should replace him will not easily be resolved—a factor which works in Mr Chambers' favour. He has going for him the fact that he is still the compromise man.

Prime Minister George Chambers; still the compromise man

Canute James

PROFILE: A. N. R. ROBINSON, OPPOSITION LEADER

Peak of popularity

THE POLITICAL leader of the National Alliance for Reconstruction, Mr A. N. R. Robinson, wants to change the course of Trinidad and Tobago's history. He heads a coalition ef three parties which is challenging tha ruling People's National Movement.

Over the past three decades that the PNM has dominated the country's political lifa several vain attempts have been made to challenge it. Mr Robinson feels that the time has come for a change.

A dapper, eloquent 58-year-old, Mr Robinson is no stranger to high political office. He served as finance minister and then as foreign minister to Dr Erie Williams, the former prime minister. When he resigned from the Government in April 1970, Mr Robinson said he could not continua being part of an administration more interested in retaining power than in running the country.

Behind all this, there were reports of disagreements, political and personal between Mr Robinson and the former prime minister. His political stock did rise after his resignation but the domination of Trinidad's PNM did not offer him many opportunities to get into national politics.

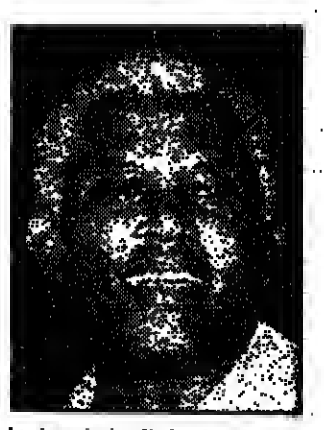
From his position of chairman of the Tobago House of Assembly, he has moved slowly and carefully back into the centre ef national politics. His return was underlined by public opinion polls in May which suggested he now leads and would overwhelm the ruling party in an election.

The polls also indicated that Mr Robinson was by far the most popular political leader in the country. His belief that the NAR can break the PNM stranglehold is supported by the successes which the opposition parties had in local government elections where tha ruling party fared badly.

Mr Robinson holds degrees of master of arts from St John's College, Oxford, bachelor of law from London University and barrister at law from the Inner Temple, London.

The international legal fraternity has recognised him through awards from the international conference in human rights and humanitarian law which is affiliated to the UN. Mr Robinson is now completing a second book, following his "Mechanics of Independence," published in 1971. He is also an avid poet.

Mr Robinson does not promise any significant ideological changes if he takes office. He promises policies which ha says are needed to halt the deterioration in the economy.



Leader of the National Alliance for Reconstruction, A. N. R. Robinson: hoping to crack the 30-year hegemony of the ruling People's National Movement.

"In the next election we will have an excellent chance of defeating the PNM," he maintains. If his confidence is vindicated, Mr Robinson may be justified in feeling a sense of achievement in cracking the PNM's 30-year hegemony—albeit one of which he was a part.

C. J.

Search is on for crutches

Economy

CANUTE JAMES

FOR TRINIDAD and Tobago, the halcyon days are over. "We hava shot out of the clouds back to the ground, back to reality," says Mr Leonard Hackshaw, president of the chamber of industry and commerce. The soft market for oil, the touchstone of the economy, has brought an end to a decade of freewheeling consumerism.

It was a period described in song by a local calypsonian as "Capitalism gone mad." The Government is now faced with the prospect of finding crutches—and quickly too—for the lop-sided economy which, in better times, depended on the oil sector for over 80 per cent of its export earnings. The options are few and not very encouraging, at least for short-term salvation.

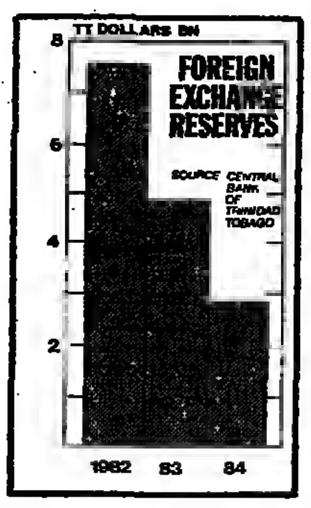
In its annual report which is to be published next month, the Central Bank reports a decline of 7.4 per cent in the country's gross domestic product last year, after a 5.2 per cent fall in 1983, growth of 2.4 per cent and 3.4 per cent in 1981 and 1982, respectively marked the tail end of the boom years.

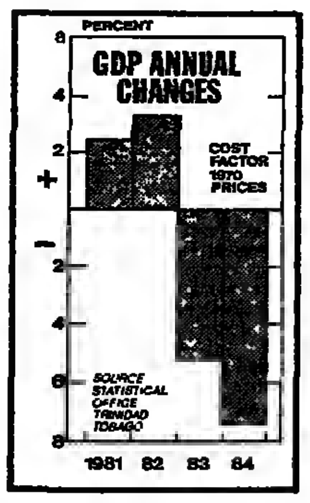
Ironically, last year's fall in GDP came despite an improvement in the oil sector. "The faster rate of decline in 1984 occurred despite a significant improvement in the petroleum sector in which the added value grew by 9.2 per cent in contrast to an average annual decline of 4.2 per cent over the period 1981-83," the Central Bank reports.

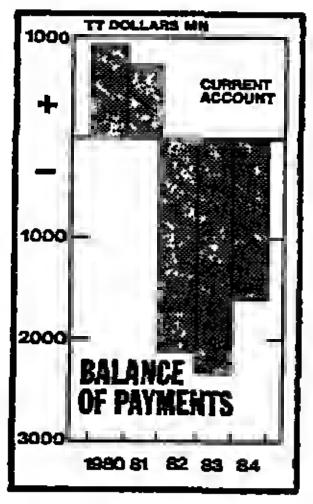
The positive performance of the petroleum sector, the report says, "was dwarfed by the negative performance of the non-oil sector of the economy."

Dr Euric Bobb, Governor of the Central Bank, has said there is no mystery to the economy's performance over the past two years.

"Old prices have been falling, effective petroleum tax rates have been reduced, government expenditure has had to be cut in line with falling revenues and, as a consequence, the stimulus provided by government expenditure to the non-oil economy has waned."







He says that the private non-oil sector is too dependent to be an alternative source of economic dynamism

Some businessmen say, however, that the Government has been shortsighted in abandoning other sectors of the economy after the Opec price increases in the early 1970s. Earnings from oil fell from TT$4.25bn in 1981 to TT$2.69bn last year.

These earnings caused a build up of foreign reserves which reached TT$7.6bn in 1982. Since then the fall in earnings has caused a sharp erosion in the reserves. They fell to TT$4.9bn in 1983 and to TT$2.8bn by the end of last year.

According to Dr Bobb, the fall was necessary to deal with the economic circumstances. "Tha controlled fall in reserves was an explicit policy choice, that alternative being selected to cushion the decline in economic activity by permitting tha country to draw on its accumulated savings to finance current production."

Without such a policy, ha said, the decline in economic activity would have been precipitous and traumatic. "At present the country's import cover ratio is about seven months."

One positive consequence of the recession has been an improvement in the fiscal budget, where the deficit has been reduced to TT$1.39bn—6.7 per cent of GDP, the deficit in 1982 was 13.9 per cent of GDP.

But this has been achieved through a reduction in capital expenditure from TT$3.5bn in 1982 to TT$1.9bn last year.

It has heen detrimental to key sectors such as construction, which fell last year by 13.5 per cent and they contributed to the 1.7 percentage point increase in unemployment, now at 12.8 per cent.

The economy is carrying a balance of payments deficit of TT$1.7bn—a marginal improvement on the deficit of the previous year, but *still TT$1.2bn* more than 1982.

Buyer's market

In efforts to stem the drain on reserves the Government has imposed several measures, including tighter monitoring of foreign exchange, increased stamp duties on imports, and some restrictions on imports such as garments.

"This used to be a seller's market," says Mr Hackshaw. "Now it has changed to being a buyer's market." The fall in demand is clear in the movement of consumer durables. Demand for motor cars, locally assembled, has slipped by 20 per cent.

The Government has suggested to the private sector that it becomes more *involved*—an engine of growth in the restructuring of the economy. But the sector itself needs to adjust to the changed circumstances after 10 years of being overshadowed by oil and heavy industry.

The Government reports increasing foreign interest in heavy industry, particularly in petrochemicals. With cheap domestic gas, the Government has been increasing its production of ammonia, methanol and urea in new plants constructed with oil revenues. But this is still a weak, unformed leg of the economy. Mr Wendell Mottley, the industry minister, says the investments in heavy industry have a long-term objective.

Agriculture, once the back*bone of the economy, was also* neglected during the oil boom. The sugar industry recorded heavy losses, had to be supported by the budget, and lost valuable overseas markets. It is being restructured. But it will be some time before the fall in agricultural output since 1981 will be reversed.

Government ministers speak of improving tourism and increasing earnings. But they do not expect this to make more than a marginal contribution to the national economy in the next few years. Despite the enormity of the problems, there is more than a small degree of optimism in both this Government and tha private sector, that the country can rida the economic storm.

Mr Anthony Jacelon, junior minister for finance, said recently that there were indication that the recession had bottomed out. "From here on we will be seeing a gradual and, I hope, controlled recovery of the economy."

Engine loses pulling power

Oil and gas

FIONA THOMPSON

THE PETROLEUM industry, which has given Trinidad and Tobago its fat years as the strongest economy in the Caribbean, is now, in leaner times, compelling the country to re-adjust.

The industry is, has been for two decades, and will in all probability remain the mainstay of the country's economic growth. But the engine is no longer pulling with the same power, because of the decline in crude oil production, refinery throughput and world prices.

Trinidad, not a member of the Organisation of Petroleum Exporting Countries, is watching the cartel's price movements with concern. A senior civil servant said: This country could be in serious trouble if oil dropped to just U.S.$25 a barrel.

The affluence of the islands is based upon a still substantial but diminishing asset. In tha boom, which peaked in 1978, it was the great provider, creating a rapid rise in real national income, living standards (personal spending rose by an average 21 per cent a year) and expectations. The Trinidadians also came to see themselves as comfortable benefactors of their economically weaker Caricom neighbours.

The fall in oil prices meant a drastic loss of foreign exchange and led to a major revision—sooner than could have been envisaged—of the country's development plan. The post-boom problem for the industry is that of providing sufficient crude to match its enhanced refinery capacity while, at the same time, tying up deals that will guarantee a market for the refined product.

For the Government there is the problem of carrying out its own rational decisions to reduce capacity while simultaneously striving to preserve jobs and improve foreign exchange earnings.

Tha Government in March purchased Texaco's refinery and on shore production facilities at Pointe a Pierre, Trinidad. The 4,600 former Texaco employees and the refinery, which has a capacity of 220,000 barrels a day, are now a part of Trintoc, the state-owned oil company. Texaco retained its offshore oilfields.

The Government took the decision reluctantly. Mr Ronald Williams, Minister of State Enterprises, said at the time: "We didn't want to take over Texaco. They told us they were leaving. We had no choice."

The acquisition cost Trinidad US$189.2m; US$98m was paid at the signing and the remainder will be paid in petroleum products.

Trintoc also operates the former Shell refinery at Point Fortin, which has a capacity of 85,000 barrels a day.

The largest producer operating in Trinidad—Amoco—sends its crude directly to the U.S. and the two local Trintoc refineries (with their total capacity of 305,000 barrels a day) are now grossly underutilised with crude supplies totalling only 75,000 b/d currently available to them.

Combined throughput has dropped sharply from the 1972 level of 455,000 barrels a day. During the boom years Texaco imported Middle East crude to process in Trinidad.

In 1983, the National Economic Advisory Council, chaired by Mr George Chambers, the Prime Minister, took a hard look at the future of Point Fortin and recommended its closure. The Government subsequently accepted that case, provided that a replacement industrial plant could be set up capable of providing jobs in a politically significant area. The refinery has about 650 workers.

It is that equation that makes the proposed ICI methanol plant deal at Point Fortin so attractive to the Trinidad and Tobago government.

Meanwhile, efforts are being made to find additional sources of crude from overseas to maintain throughput at a viable level at the Pointe a Pierre and Point Fortin refineries. Mr Walton James, managing director of Trintoc, said: "Obtaining additional crude is vital."

The difficulty has been in agreeing a package deal with any supplier securing terms for end-use of the fuel oil. Negotiations with Venezuela, involving processing arrangements for 20,000 barrels a day, have been stalled, apparently over this question. Mr Patrick Manning, Trinidad and Tobago's Energy Minister, said: "Market conditions do not permit it at this stage."

Talks have also been taking place with Mexico and Ecuador. The arrival in Trinidad this month of the Arab-owned Bank of Credit and Commerce International (BCCI), which has taken over the San Fernando-based Southern Finance Company, has fuelled speculation that Middle East sources of crude will also be explored.

On the bright side, production this year seems set to exceed the projected output figure of 173,000 barrels a day. If achieved, this would mean an upturn for the second year in succession.

Returns for the first quarter of 1985 show a figure of 175,700 barrels a day (a total of 15.8m barrels), and more recently production was running at 176,800 barrels a day. This compares with the 1984 output of 170,000 barrels a day.

However, these levels are significantly lower than those achieved in the late 1970s.

Lower levels

Proven reserves at the end of 1983 stood at 489m barrels, probable reserves at 400m barrels.

There was an upswing in new drilling activity and well completions last year, representing "the positive response of the oil companies to changes in the tax regime over the last two years," according to the Central Bank. The supplementary petroleum tax (SPT) for land producers was reduced from 35 to 15 per cent of gross income in 1989 and by 5 per cent to 55 per cent for marine producers.

Mr Manning predicts a further improvement in production next year and expresses confidence about the prospects of tapping new land reserves.

In 1984, the petroleum sector accounted for 85 to 90 per cent of the country's exports and oil contributed TT$2.6bn to the central bank coffers.

The cash generated by the industry from 1974 to 1981 allowed the country to launch a revitalised industrialisation programme, centred at the Point Lisas complex in Southern Trinidad. Here the country's most abundant resource, natural gas, is utilised for the manufacture of fertilisers and methanol.

Mr Eldon Warner, chief executive of the Energy Company, the state enterprise body which provides a link to the private and foreign sectors for development projects, sees natural gas as the way ahead in the future.

"It is the principal resource the country has," he said.

Trinidad and Tobago 4

Exports continue to decline

Agriculture
FIONA THOMPSON

TRINIDAD and Tohago has this year achieved its best sugar production for four years, an illusory gain that creates no realistic prospect of restoring the traditional crop to a leading place in the islands' economy.

It is no more than a momentary upturn in an unrelieved pattern of decline. Even Caroni, the state-owned enterprise, acknowledges that sugar will never be profitable and, whila trade unionists express doubts about its future, the emphasis now is on maintaining the industry for social and political, rather than purely economic, reasons.

Agriculture for more than a decade has recorded declines in virtually every area, including the export crops of sugar, coffee, and citrus. The one bright spot is a reported npturn in sales of flavour cocoa.

Last year agriculture accounted for only 2.6 per cent of GNP, compared with 5.2 per cent in 1974. Trinidad, a net exporter of food in the 1960s, now imports 75 per cent.

Imports increased from TT$114m (U.S.$47.5m) in 1971 to TT$900m in 1984, leading to pressure for protectionist measures. Mr Kamaluddin Mohammed, Minister of Agriculture, said last month: "If protectionist barriers are necessary to stimulate local production, they will be introduced."

Mr Mohammed attributes the decline in production to sky rocketing labour costs; the migration of large numbers of people from the countryside to the towns; depressed world prices; and the rising cost of essential supplies.

The sugar workforce, predominantly of East Indian origin due to the great influx of indentured labour during the 19th century, achieved wage parity with public-sector manual workers in the late 1970s, after subsisting for generations on low pay offset by social benefits. Between 1975 and 1982 unit labour costs in the sugar factories increased fivefold, in the fields threefold.

The Government's draft development plan for the period up to 1986 states: "In 1983, the price of sugar was TT$915 per tonne in the EEC markets while the cost of production was TT$4,500 per tonne."

The report suggests as its objective that output be reduced to the level of local consumption "plus a small margin for occasional exports to neighbouring countries."

In his budget speech earlier this year, Mr George Chambers, the Prime Minister, while acknowledging that the Government could not abandon the industry, said: "We must begin hy conceding that, as a major export industry for Trinidad and Tobago at the end of the 20th century, sugar, as we know it, is dead."

The industry has swallowed up steadily increasing subsidies from the Government, rising from TT$6.2m in 1976 to just over TT$300m in 1983.

Production this year totalled 92,600 tonnes at midyear end of harvest, the best return since 1981. This apparent upturn is, according to Mr Frank Rampersad, chairman of Caroni, merely a return to stability after four disastrous years plagued hy rains, and a spate of cane fires.

The figure comes nowhere near the 1976 total of 203,000 tonnes. The downward spiral culminated in Trinidad's inability to meet its EEC quota of 73,000 tonnes which was cut in 1983. It now stands at 44,500 tonnes and it is worthwhile for the country to import in order to support its bid for reinstatement. Trinidad is exploring the possibility of refining sugar for its partners in Caricom.

Mr Mohammed is hopeful that negotiations with the EEC will result in restitution of the quota. However, Mr Rampersad, asked what Trinidad could do to achieve reinvestment, replied: "Go down on our knees and heg."

This year the Government announced a major reorganisation of the industry, merging Caroni and the Orange Grove National Estate, another state-owned company.

The crucial aim is to achieve an annual production of 100,000 tonnes by 1987. Both the Government and Caroni dismiss reports that up to 8,000 jobs will go as a result of the changes, although the company concedes it could operate with only half the present 10,000 workers.

However, the scala of severance payments, the increased capital equipment costs and the social and political implications make such a move unattractive. Mr Rampersad believes a reduction of 1,500 to 2,000 is more realistic.

The Sugar and General Workers Union has suhmitted its own plans for the regeneration of the industry, proposing the sale of surplus land, to raise an estimated TT$500m, and contracting out plant which now stands idle for seven months of the year.

Union power blunted

Labour
FIONA THOMPSON

Mr George Weekes, president general of the OWTU: golden opportunity missed by the Government

THIS MONTH'S one-day national strike, called by the Trinidad and Tobago Labour Congress which has traditionally supported the ruling PNM party, is a symptom of the disquiet now felt by trade unions. It comes at a time when their power has clearly been blunted.

The action is directly linked to sugar workers' pay and the decision by Caroni, the state-owned sugar company, to appeal against a wage eward granted by the country's industrial Court. The settlement would cost TT$147m.

Beyond that single issue there is a wider area of discontent. The labour movement, representing half the 450,000 workforce, has been feeling the pinch as Trinidad has been forced to come to terms with the recession.

Just as the oil industry led the climb to prosperity, giving rise to improved living standards, unchecked wage increases and a pervading sense of optimism, so has it led the economic downturn.

Retrenchment has become one of the most used words in the Trinidadian vocabulary. One prominent trade union leader estimates that 20,000 to 25,000 jobs bave gone since 1979, 10,000 alone in the past year.

Government officials indicate that unemployment is now running at a maximum of 14 per cent, a figure regarded as conservative by the unions, who say 20 per cent is more realistic. Wage restraint has also become an important issue.

The Government, the largest single employer, is steadfastly sticking to its 6 per cent offer to 85,000 public servants, in line with the Government's unstated incomes policy. The public employees, whose claim was based on a 40 per cent average increase, are still waiting for settlements after a year of negotiations.

The Goverment is in a powerful position because strikes are forbidden by law in the state sector.

There are also signs of unrest in the private sector where, most recently, there has been open confrontation at the Amalgamated Industries' car assembly plant at Arima, in northern Trinidad. Workers were locked out last month in a dispute over the timing of severance pay for 323 employees due to lose their jobs at the end of June.

Trinided's unions are divided between the majority and long-estehlished Labour Congress and the Council of Progressive Trade Union, formed in 1970 and spearheaded by the 16,000-strong Oilfields Workers Trade Union (OWTU)

Labour's lack of bargaining muscle was graphically exposed last year in a dispute with Texaco, before the government takeover, when all workers submitted an 80 per cent wage claim. The company responded with 5 per cent, which led to scenes of sporadic violence as the strike expanded to other areas, before the Government prevailed upon the company to raise its offer to 13 per cent and the OWTU ordered e return to work. A threatened general strike failed to materialise.

The official line voiced by ministers and senior civil servants—and echoed in company boardrooms—is that there is e crucial need for a change of attitude to meet the constraints caused by recession. But union leaders claim that all the onus is being put on the workforce.

They complain about an absence nf consultations and insist that a change of management attitudes is also required. Mr George Weekes, president general nf the OWTU, said that the Government hed missed a golden opportunity by failing to appoint labour representatives to the board of the state-owned oil company, Trintoc, after the Texaco acquisition.

A more painful environment

Private industry

CANUTE JAMES

ECONOMIC CHANGES in Trinidad and Tobago over the past three years have forced the private sector into a sharp change in nature and outlook.

In the boom years of the 1970's, when increasing income from oil created an overheated economy, the business community thrived on very high demand. There was little attention to exporting as local demand could not be satisfied.

"If something was properly packaged, it had a market," says Mr Leonard Hackshaw, president of the chamber of industry and commerce.

The sector's activities are concentrated on light industries ranging from motor car assembly, through food processing and packaging, to garments.

"We are now working to re-orient the manufacturing sector from its concentration on import substitution to greater emphasis on exporting," said Mr Clive Teelucksingh, general manager of the Trinidad and Tobago Manufacturers' Association.

Mr Hackshaw says the change has started, but that it has been "a painful process" for many companies. "This is a new environment for business, and there has been a shakeout which has affected many companies," he explains.

Despite this, the Government is expecting the private sector to change course and help shore up foreign earnings through the concentration on exports.

"There is clearly a need for this increased role in the economy by the private sector," says Mr Wendell Mottley, the industry and commerce minister.

"The sector may not be able to meet these expectations in the short term, but it can certainly do so in the longer term."

Some business leaders complain that they are now being asked to stand in for the dragon that had tried to slay them. In the years of high earning from oil, they argue, official concentration was on the petroleum sector and on the smokestacks of heavy industry. In emerging from that shadow, they say, they will need time, and government help, to find their feet.

According to the Central Bank, manufacturing, which has been falling since 1981, declined by 8.6 per cent last year. The distributive trades, thanks to high demand, continued their growth up to 1982, but fell by 18.1 per cent last year because of a reduction in real income.

"Much depends on the capacity of the private sector export," says Mr Mottley. "And we are stressing exports. We have recently created an Export Development Corporation which is creating the ground for increasing exports in the 1990s."

The effort was being aided, the minister said, with export credits, export insurance and tax grants.

Given its recent history, the private sector has, understandably, taken time to find its feet.

"The business community has been slow to respond to the new challenges," says Mr Mottley. "It has to go through a process of learning which it must do in order to take advantage of the benefits offered by the LOME convention and the Caribbean Basin initiative.

The LOME convention is a trade and aid agreement betweeo the European Community and several developing countries, which allows preferential entry to the EEC market. The Caribbean Basin initiative is a U.S. trade programme which allows designated countries to ship a range of goods duty free to the U.S. for 12 years.

The business community believes it can meet the new challenges.

"We have started to become more efficient," says Mr Hackshaw. "We have started to become more competitive and more productive now that we are back to reality."

Joint ventures

In this search for new directions for Trinidad and Tobago's business community, there is a concerted effort to obtain foreign partners in joint ventures.

"One of the aims of the tour of the prime minister and business leaders to Europe and the Far East is to prepare the ground for joint ventures with partners who have technology and access to markets," Mr Mottley explains.

Mr Teelucksingh agrees that there is the need for new investment with foreign partners, as there was a demand for capital inflows through foreign equity participation in local business.

Government and business leaders are convinced that Trinidad and Tobago offers good prospects for foreign investors. "This country is cost competitive in production," says Mr Mottley. "But there is little chance of us being competitive in operations which depend on cheap labour."

The fact that the country has sound infrastructure and cheap energy is regarded by the business leaders as an incentive for prospective foreign partners. They are, however, asking for the Government to remove some built-in disincentives.

"We would like to see a reduction in the level of bureaucracy and red tape in many agencies, including the industry and commerce ministry and the Central Bank," says Mr Teelucksingh.

Mr Hackshaw agrees that the bureaucracy is a problem, and adds that there is also a need for the revision of the corporate and personal tax structures "...which are disincentives to productivity."

"The Government must now also be clearer on just what it wants of the private sector—what joint ventures it is interested in and what areas it wants the local business community to concentrate on."

For businessmen who need help, the Industrial Development Corporation is standing ready armed with a range of incentives for new projects.

"The corporation can grant duty free concessions and tax holidays to businesses," explains Mr Jack de Lima, chairman of the IDC.

"We are in charge of encouraging new industry in Trinidad, including Tourism, and we have been given the go ahead to build tourist hotels."

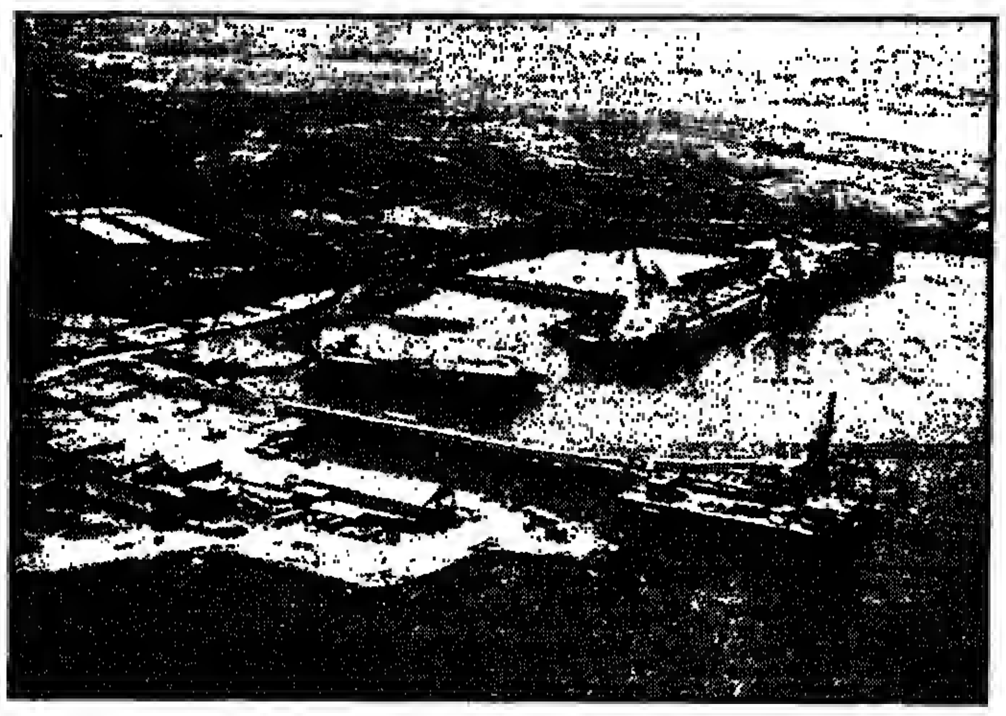
Mr de Lima says the efforts of the private sector to come to terms with the new economic situation were being aided by the IDC through its factory shell programme and a loan programme for small businesses.

"There are clear signs that food processing is emerging as one of the brightest sectors of the economy. There is much that the private sector can do in food processing."

Foreign interest in joint ventures

Heavy industry

CANUTE JAMES



Point Lisas in Southern Trinidad, where a 2,000 acre industrial estate is the focal point of new investment in heavy industry

IN AN effort to broaden the base of its oil dependent economy, Trinidad and Tobago is taking an ambitious leap into heavy industry. Cheap domestic gas is being used to fire a range of petrochemical plants and a steel mill.

The results have been mixed, but according to Mr Wendell Mottley, the industry minister, there is significant and growing interest from several large foreign companies keen on joint ventures with the Government and local business to build more plants.

"Our investment in heavy industry has been made with long-term objectives," says Mr Mottley, "It is impossible for this sector to reduce significantly our dependence on oil in the short term."

The country's experience in heavy industry is not new, petroleum products have become increasingly important to the economy. The centre of the new effort is a 2,000 acre industrial estate at Point Lisas in southern Trinidad, which is home to two ammonia plants, facilities for producing methanol and urea, and the steel mill.

The flagship of the effort is the steel mill, the Iron and Steel Company of Trinidad and Tobago (Iscott). The plant has had a short and financially painful history, but has been given a new lease of life with an agreemnt in principle by two U.S. companies to manage it in a joint venture with the Government.

The state-owned mill began operations in 1981 with two direct reduction plants with a combined capacity of 900,000 tonnes per year, and with rated annual output of 700,000 tonnes of billets and 600,000 tonnes of wire rods.

Built at a cost of TT$1.1bn (U.S.$458m) the mill secured a foothold on the U.S. market, and in 1982 shipped 56,000 tonnes of wire rods, becoming the third largest foreign supplier to the U.S.

Charges of dumping, made by five U.S. steel companies, lost Iscott the market. The plant's financial problems started soon after, with losses of TT$259m in 1982 and TT$223m in 1983, when the Government provided subsidies of TT$139m.

The losses led the Government to establish a Cabinet committee to study the mill's future. It recommended that efforts be made to find a foreign partner to manage the plant.

It is this search which ended with an agreement by the Trinidad and Tobago Government with Bechtel Operating Services of California and Laclede Steel Company of Missouri to create an operatiog company to lease, manage and operate Iscott.

The Government is to hold a 60 per cent stake io the venture, will provide working capital, and will cootinue to be responsible for the mill's liabilities. The remaining 40 per cent bolding is shared by the two companies.

The Information Minister said that it was expected "that the new company will begin generating positive earnings within the second year of its operations."

The problems of Iscott have tended to overshadow the performance of the other plants which are part of the new effort at indnstrialisation.

W. R. Grace of New York is doubling the capacity of the 400,000 tonne per year Ammonia plant in which it has a 48 per cent stake, with the Government holding the marginal majority interest. The Government is expecting revenues of ITT $2.5bn during the 15-year operational life of the expanded facility. The plant, Tringen, was brought on stream in 1977, but W. R. Graces involvement in Trinidad's petrochemicals goes back to the 1950s, since when ITT has been operating another chemical company.

The secood ammonia plant, Fertrin, on the industrial estate, started production in 1981, aod has a rated capacity of 750,000 tonnes per year.

The Government holds a 51 per cent stake in the plant, in partnership with the Amoco Oil Company in Chicago, a subsidiary of the Standard Oil Company (Indiana).

Government officials say the ammonia plants have been produciog at close to rated capacity, and have made Trinidad and Tobago second only to the Soviet Union as a producer of ammonia.

The urea facility at Point Lisas is wholly owned by the Government, the plant, built by Snamprogetti of Italy, has a rated capacity of 1,620 tonnes per day. Production started in 1983, and totalled 163,000 tonnes last year.

Asian markets

January to June output this year is just under 155,000 tonnes, and the increase is the result of new markets in Asia. A contract with China for 40,000 tonnes was followed by one with India for 600,000 tonnes. Agreement on another 60,000 tonne supply contract was reached with India last week.

The Point Lisas estate is also home to a 450,000 tonne per year methanol plant, owned by the Government and built by the Toyo Engineering Company of Japan. Production last year was 239,776 tonnes, and is running 40 per cent higher this year.

Plans for further expansion of the industrial estate with the construction of an LNG plant and an aluminium smelter have heen shelved.

"Trinidad has been identified as a major location for petrochemical industries hecause of its relatively cheap gas," says Mr Mottley. "Those new projects we are contemplating will most likely be joint ventures, and some will involve local private investors."

He said that while the Government controlled the heights of the economy, efforts were being made to get the local business community to become involved as partners in heavy industry.

Higher priority for dollar earner

Tourism

FIONA THOMPSON

TRINDIAD AND TOBAGO is coming to torms with the need to develop tourism as a foreign exchange earner. Unliko its Caribbean neighbours, the republic, for reasons of ideology and from a position of relative comfort provided by oil revenues, has for most of tho time since independonce, been happy to remain aloof and off the tourist track.

Tho Government, in its outline dovelopmont plan for 1983 to 1986, reflects the political sensitivity of the issue, noting the view of opponents of tourist growth who argue that it constitutes "a rape of the natural patrimony and the perpetuation of a form of servility inappropriate in the post-colonial period."

The country now, however, has to overcome that reserve and persuade its people that if they want to accept tourist dollars they must also accept some — if not all — of tho implications of a tourist industry.

Mr George Chambers, tha Prime Minister, last month announced that tourism bo accorded high priority and committed his Government to planned development of the market. Incentives for development include tax and import duty exemptions.

In the difforent economic climate, it is now accepted that there aro henefits to ho gained. Apart from foreign exchange, there is also the prospect of increased employment in the food production and service sectors, in the construction industry and in much needed improvements of the infrastructure. Tourism contributed an estimated TT$493.7m to the economy in 1983, representing 3 per cent of GNP.

According to Mr Ian Betrand, managing director of the wholly government-owned airlino BWIA, people are trying to change their approach to tourism and are seeking to adopt a positive attitudo.

"We ere doing as well as can be expected. I think we've got an economic and intellectual acceptance of tourism. The struggle now is over the emotional response," he said.

This aspect is crucial and not to be underestimated. Success or follure of the government's attempt to boost tourism depends npon it.

The indifferent performance of the sector is reflected in figures from the Government's Central Statistical Office. In 1980, there were 199,320 arrivals but of those only 36,140 were hotel holiday visitors; in 1984 the number taking hotel holidays had dropped to 20,750 — although there was a reported upturn in total incoming visitors.

The drop has been more dramatic in the cruise ship business, badly hit at the end of the 1970s by outbreaks of yellow fever which caused the cruise lines to shy away from Trinidad and Tobago. The CSO figures for 1978 show 66,000 passenger arrivals. In 1980, after widespread cancellations, tho figure bad plunged to 3,972. The first six months of 1984 saw a slight climback with 4,233 arrivals.

The islands have also been handicapped by the fact that in Tobago—without doubt the more attractive destination for holidaymakors—there are no berthing facilities for liners. Cruise passengers do not appear to take kindly to being set ashore by tender.

There are plans for a deep water harbour at Tobago's capital, Scarborough, where work on the TT$12m project is to start in November for completion in 1988.

Another TT$24.2m is being spent to resurface the runway and build a new terminal at Tobago's Crown Point airport. The work is essential to BWIA which now is limited to a single weekly direct flight from Miami to Tobago. The improvements will mean that the airline can expand its direct DC9 services.

Eventual extension of the runway will make it possible for BWIA's wide bodied TriStar jets, used on the long haul routes, from Canoda, the UK and New York, to fly directly to Tobago rather than to Port of Spain as now.

BWIA's problems are further exacerbated by an ongoing row with the British Government over landing rights at Heathrow on flights from nther Caribbean islands which have designated BWIA as their national carrier.

BWIA's airbridge provides frequent daily flights from Trinidad to Tobago, a 12-minute trip costing TT$75 return.

The Government also recognises tho urgent need to provide more hotel rooms. In 1983 there were only 2,000 hotel beds and just over 300 guesthouse places available on the twin islands.

Much hope is pinned on Tobago, where, by repute, Robinson Crusoe was cast ashore. Projects there include a luxury hotel/conference centre at Rocky Point, on a site owned by the Industrial Development Corporation. That scheme and a second project to build a holiday resort complex on privately owned land ot Minster Point will together provide 400 new rooms.

In addition, a TT$3m fund was established last year to be administered by the IDC, the Tourist Board, the Development Finance Company, and the Trinidad and Tobago Hotel and Tourist Association, for the rehabilitation of existing hotels in Tobago.

The beautifully-placed Turtle Beach Hotel on Tobago'e Great Courland Bay, a recent beneficiary of DFC cash, exemplifies the success of this venture.

Trinidad and Tobago, traditionally known by visitors chiefly for carnival, calypso and cricket, is determined to arrive on the tourist map — but on its own terms.

BWIA's Mr Bertrand said: "I would want the steel band men to continue to explore the far reaches of the pan rather than always play 'Rum and Coca Cola.'"

Catelli in concert, one of Trinidad's famous steel bands. Below: a traditional carnival scene.

Society of true cosmopolitans

Culture

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The "Imperial Amalgam" of races brought together in Trinidad and Tobago is, apart from language, the single most abiding colonial legacy left to the independent Republic. The racial mixture and all the resulting cultural, religious and social distinctions, are indelible.

It cannot be easy to achieve harmony in a nation of obout 1.3m where the two major ethnic groups are of black African and East Indian origin, the latter now believed to be edging into a majority. The population is topped up with significant groups of European, mixed, Chinese, Lebanese and Syrian descent.

Any society must be truly cosmopolitan that marks as public bolidays Christmas Day; Eid-Ul-Fitr, the Moslem celebration at the end of Ramadan; and Divali, tho Hindu Festival of Light. This is a country of cricket and calypso, of the Hindu Pundit and the church of the Open Bible, of Indian dances performed to hand-drums and small cymbals, and of Panyards where the steel orchestras rehearse at full volume and pace on carefully tuned oil drums, an instrument created in Trinidad in tho late 1930s.

It is not surprising that a degree of tension exists between the two main racial groups. The surprise is, perhaps, that for the most part the different races rub along together. That is tho country'e policy, expressed in the national anthem: "Here every creed and race find an equal place."

Tension which does arise appears to bo cyclical and linked to major political events. When elections—and tho interests of the different ethnic populations—are being contested, some of the normally unspoken prejudices seem to come to the surface.

There certainly are layers of prejudice. But the usually articulate and highly literate people of Trinidad and Tobago find it better, for the most part, that the prejudices should remain private and not openly expressed. The black power unrest of 1970 is an uncomfortable memory.

Harmony appears to have its cycles as well. The annual spectacle of Carnival the most extravagant in the Caribbean, transcends any racial divides. Each year just before Ash Wednesday, the "mas parades" bring a feeling of warmth and cheerful abandon to the whole community. At other times the country shares in the pointed bumour of its calypsonians who keep up a running musical commentary on current affairs.

The best known today is the Grenada-born Mighty Sparrow, celebrated for his calypso, Capitalism Gone Mad.

The unique racial mix of Trinidad is wholly due to its history and the demand from its former colonial masters for imported labour. The Spanish first exploited native Indian labour and then introduced African slaves in the 17th century.

By the time the British took Trinidad in 1797, at the cost of only one Spanish soldiers' life, the abolitionist movement had gathored momentum. The slave trade was abolished in 1807 and slavery itself in 1838.

In Trinidad, the persisting demand for labour led to the introduction of immigrants from China and Madeira. Far more were brought from British India. Between 1833 and 1917 when the indentured labour system was abolished, about 145,000 east Indians were shipped to Trinidad.

V. S. Naipaul, the Trinidad-born author who has traced the island's colonial history, says, "in the Trinidad countryside, they created a simple rural India. They were an aspect of the colony. The colony became an imperial amalgam, the empire in littlo."

Many of the Indians remain in the rural areas. The sugar industry which they were brought across the world to serve, is still very largely an Indian occupation. The islands bave predictably an abundance of Indian morchants.

The negro population, has its strongholds too. The police, the oil industry and — overwhelmingly — tho army aro all dominated by the African ethnic group.

The East Indians, whose political leaders bave remainod in opposition since independence seom to regard themselves as the more hardworking and relatively less privileged. Their cultural conservatism, in turn, appears to irritate the Afro-Trinidadians.

A beated debate bas been taking place racently in newspaper correspondence columns, over the issue of the small amounts of air time devoted to Indian culture, by the state-owned television station.

In that case the row revolved around an opposition group politician Mr Surujrattan Rambachan who first aired the question. He was quickly in tronble — not because be was wrong, but because he mentioned it et all.